



**2008**

Targeted Tax Area Business Booklet

**This booklet contains:**

**Form FTB 3809**, Targeted Tax Area Deduction and Credit  
Summary

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STATE OF CALIFORNIA  
**FRANCHISE TAX BOARD**

# Instructions for Form FTB 3809

## Targeted Tax Area Businesses

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2005**, and to the California Revenue and Taxation Code (R&TC).

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### What's New

**Net Operating Loss** – For taxable years beginning in 2008 and 2009, California has suspended the net operating loss (NOL) carryover deduction. Taxpayers may continue to compute and carryover an NOL during the suspension period. **However**, taxpayers with taxable income (corporations), net business income (individuals) of less than \$500,000, or with disaster loss carryovers are not affected by the NOL suspension rules.

The carryover period for suspended losses is extended by:

- Two years for losses incurred in taxable years beginning before January 1, 2008.
- One year for losses incurred in taxable years beginning on or after January 1, 2008, and before January 1, 2009.

Also, NOL carrybacks, NOL carryovers, and the number of taxable years to which the loss may be carried, are modified. For more information, see form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Corporations or form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals.

**Business Tax Credit Limitation** – For taxable years beginning on or after January 1, 2008, and before January 1, 2010, business tax credits can only offset 50% of the net tax, if a

corporation's taxable income is \$500,000 or more, or if an individual's net business income is \$500,000 or more.

Business tax credits disallowed due to the 50% limitation may be carried over. The carryover period for disallowed credits is extended by the number of taxable years the credits were not allowed.

#### Minimum Wage Increase

Beginning January 1, 2008, the California minimum wage increased to \$8 per hour.

#### Assigned Credits to Affiliated Corporations –

For taxable years beginning on or after July 1, 2008, credit earned by members of a combined reporting group may be assigned to an affiliated corporation. A credit assigned may only be applied by the affiliated corporation against their tax in a taxable year beginning on or after January 1, 2010.

### General Information

In general, California law conforms to the Internal Revenue Code (IRC) as of January 2005. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information, go to our website at [ftb.ca.gov](http://ftb.ca.gov) and search for **conformity**. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540 or 540NR), and the Business Entity tax booklets.

The instructions provided with California tax forms are a summary of California tax law and are only intended to aid taxpayers in preparing their state income tax returns. We include information that is most useful to the greatest number of taxpayers in the limited space available. It is not possible to include all requirements of the California Revenue and Taxation Code (R&TC) in the tax booklets. Taxpayers should not consider the tax booklets as authoritative law.

#### Pass-Through Entities

For purposes of this booklet, the term “pass-through entity” refers to an S corporation, estate, trust, partnership and a limited liability company (LLC). References to “partnerships” include LLCs classified as partnerships.

#### Registered Domestic Partners (RDP)

RDPs under California law must file their California income tax returns using either the married/RDP filing jointly or married/RDP filing separately filing status. RDPs have the same legal benefits, protections, and responsibilities as married couples unless otherwise specified.

If you entered into a same sex legal union in another state, other than a marriage, and that union has been determined to be substantially

equivalent to a California registered domestic partnership, you are required to file a California income tax return using either the married/RDP filing jointly or married/RDP filing separately filing status. For more information on what states have legal unions that are considered substantially equivalent, go to our website at [ftb.ca.gov](http://ftb.ca.gov) and search for **rdp**.

For purposes of California income tax, references to a spouse, a husband, or a wife also refer to a California registered domestic partner (RDP), unless otherwise specified. When we use the initials RDP they refer to both a California registered domestic “partner” and a California registered domestic “partnership,” as applicable. For more information on RDPs, get FTB Pub. 737, Tax Information for Registered Domestic Partners.

### Introduction

#### Economic Development Area (EDA) Tax Incentives

California has established four types of EDAs that have related tax incentives. These incentives have been established to stimulate growth and development in selected areas that are economically depressed. EDA tax incentives apply only to certain business transactions that are undertaken after an EDA has received final designation from the California Department of Housing & Community Development (HCD). Final designation is when the HCD designated an area to be an EDA. Tax incentives are available to individuals and businesses operating or investing within the geographic boundaries of the following EDAs:

- Enterprise Zones (EZ)
- Local Agency Military Base Recovery Areas (LAMBRAS)
- Manufacturing Enhancement Areas (MEAs)
- The Targeted Tax Area (TTA)

#### Reporting Requirement

California statutes require the Franchise Tax Board (FTB) to provide information to the California Legislature regarding the number of businesses using the EDA tax incentives, types of EDA tax incentives being used, and the EDAs in which the businesses are claiming the tax incentives.

Complete items A through J on form FTB 3809, Side 1, Targeted Tax Area Deduction and Credit Summary, as applicable. This information will be used to meet the FTB's statutory reporting requirement. Additional information on other EDAs can be found in the following FTB tax booklets:

- EZ tax incentives, get FTB 3805Z, Enterprise Zone Business Booklet.
- LAMBRA tax incentives, get FTB 3807, Local Agency Military Base Recovery Area Business Booklet.

- MEA hiring credit, get FTB 3808, Manufacturing Enhancement Area Business Booklet.

## Purpose

This booklet provides specific information on the types of available TTA tax incentives. Taxpayers operating or investing in a business located within a designated TTA may be eligible for the following credits and deductions:

- Hiring Credit
- Sales or Use Tax Credit
- Business Expense Deduction
- NOL Carryover Deduction

Use this booklet to determine the correct amount of deductions and credits that a business may claim. Complete the worksheets in this booklet for each deduction or credit for which the business is eligible. Then enter the total deductions and credits on form FTB 3809.

## Targeted Tax Area Designation

California established the TTA program to stimulate development in a selected economically depressed area of Tulare County. The program offers special tax incentives to entities and individuals located in the Tulare TTA and engaged in a trade or business within the selected Standard Industrial Codes listed on pages 21 through 23 of this booklet.

All of the incorporated cities in Tulare County and portions of the unincorporated areas of Tulare County received final designation as the TTA effective November 1, 1998. The designation shall be binding for 15 years, commencing from January 1, 1998. The eight incorporated cities in Tulare County are:

- Dinuba
- Exeter
- Farmersville
- Lindsay
- Porterville
- Tulare
- Visalia
- Woodlake

For business eligibility or zone related information, including questions regarding TTA geographic boundaries, contact the local zone program manager where the business is located. For a list of program managers, go to [www.hcd.ca.gov](http://www.hcd.ca.gov) and search for **eda**.

For information that is not tax-specific or zone-specific, you may contact the Department of Housing and Community Development at:

DEPARTMENT OF HOUSING &  
COMMUNITY DEVELOPMENT  
FINANCIAL ASSISTANCE DIVISION  
STATE ENTERPRISE AND ECONOMIC  
DEVELOPMENT SECTION  
ENTERPRISE ZONE PROGRAMS  
1800 THIRD STREET, SUITE 390-1  
SACRAMENTO CA 95811

Telephone: 916.322.1554

FAX: 916.322.2904

Website: [www.hcd.ca.gov](http://www.hcd.ca.gov)

## Important Considerations

TTA tax incentives apply only to the following items:

- Qualified assets purchased and placed in service on or after November 1, 1998.

- Qualified employees hired after November 1, 1998.
- NOLs for taxable years beginning on or after November 1, 1998.
- Qualified costs paid or incurred within the TTA on or after November 1, 1998, and before the designation expires.

### Eligibility

To qualify for any of the tax incentives described above, a taxpayer must meet both of the following requirements:

1. Be engaged in a trade or business within the TTA.
2. Be engaged in a line of business described in Standard Industrial Classification (SIC) Codes 2000 to 2099, inclusive; 2200 to 3999, inclusive; 4200 to 4299, inclusive; 4500 to 4599, inclusive; and 4700 to 5199, inclusive, of the SIC Manual published by the United States Office of Management and Budget, 1987 Edition.

In the case of any pass-through entity, the determination of whether a taxpayer is a qualified taxpayer for the business expense deduction, hiring credit, and sales or use tax credit, is made at the entity level. Any business expense deduction, hiring credit, or sales or use tax credit that is allowed to the pass-through entity is also passed through to the partners or shareholders.

If your business is located within and outside the TTA, see Part III on page 10 for instructions on how to apportion income.

## Forms Table

The titles of forms referred to in this booklet are:

Form 100	California Corporation Franchise or Income Tax Return
Form 100S	California S Corporation Franchise or Income Tax Return
Form 100W	California Corporation Franchise or Income Tax Return — Water's-Edge Filers
Form 109	California Exempt Organization Business Income Tax Return
Form 540	California Resident Income Tax Return
Long Form 540NR	California Nonresident or Part-Year Resident Income Tax Return
Form 541	California Fiduciary Income Tax Return
Form 565	Partnership Return of Income
Form 568	Limited Liability Company Return of Income
Schedule CA (540)	California Adjustments — Residents
Schedule CA (540NR)	California Adjustments — Nonresidents or Part-Year Residents
Schedule P (540)	Alternative Minimum Tax and Credit Limitations — Residents
Schedule P (540NR)	Alternative Minimum Tax and Credit Limitations — Nonresidents and Part-Year Residents
Schedule R	Apportionment and Allocation of Income
FTB Pub. 1061	Guidelines for Corporations Filing a Combined Report
Schedule C (100S)	S Corporation Tax Credit

Schedule K-1 (100S)	Shareholder's Share of Income, Deductions, Credits, etc.
Schedule K-1 (541)	Beneficiary's Share of Income, Deductions, Credits, etc.
Schedule K-1 (565)	Partner's Share of Income, Deductions, Credits, etc.
Schedule K-1 (568)	Member's Share of Income, Deductions, Credits, etc.

## Who Can Claim the TTA Tax Incentives?

The TTA credits and deductions are available to individuals, sole proprietors, corporations, estates, trusts and partnerships operating or investing within the designated TTA.

To take advantage of the hiring credit, obtain a VoucherCert 10-07 from the local agency responsible for verifying employee eligibility. Do not file VoucherCert 10-07 with your return. Keep it for your record.

## How to Claim Deductions and Credits

To claim any TTA deduction or credit, **attach** a completed form FTB 3809 to the California tax return.

Attach a separate form FTB 3809 for each business you operate or invest in that is located within the TTA. Also complete the following schedule and/or worksheets to report credits and deductions incurred:

- Corporations, complete Schedule Z; and all the worksheets, except for Worksheet IV, Section C.
- Sole proprietors complete Schedule Z and all the worksheets.
- For trusts, estates, and partnerships, complete Worksheet I through Worksheet III and Worksheet IV, Section A.
- Individual investors receiving pass-through **TTA credits** or the **business expense deduction**, complete Worksheet IV, Section C and Schedule Z. All other investors complete Worksheet IV, Section A and Schedule Z.
- Individual investors receiving a pass-through **loss**, and having an overall **NOL**, complete Worksheet IV, Section C and Worksheet V, Section A and/or C. All other investors complete Worksheet IV, Section B and Worksheet V, Section B and/or C.

Schedule Z is on Side 2 of form FTB 3809

To assist with the processing of the tax return, indicate that the business operates or invests within the TTA by doing the following:

- Form 540 filers:** Claim TTA tax incentives on Form 540, line 14 and line 25 through 27, as applicable.
- Long Form 540NR filers:** Claim TTA tax incentives on Long Form 540NR, line 14 and line 32 through 34, as applicable.
- Form 100 filers:** Claim TTA tax incentives on Form 100, line 15, line 21, and line 25 through line 27, as applicable.

- Form 100S filers:** Claim TTA tax incentives on Form 100S, line 12, line 19, and line 23 through line 25, as applicable.
- Form 100W filers:** Claim TTA tax incentives on Form 100W, line 15, line 21, and line 25 through line 27, as applicable.
- Form 109 filers:** Check the "Yes" box for the TTA question I on the top of Form 109, Side 1.

Keep all completed worksheets and supporting documents for your records.

## Form FTB 3809 – Instructions for items A through J

For corporations, estates, trusts, partnerships, exempt organizations, and sole proprietors who operate businesses in the TTA, complete items A through J.

Investors of pass-through entities, complete items A through D.

### Standard Industrial Classification (SIC) and Principal Business Activity (PBA) Codes

To qualify for the TTA hiring credit, you must be engaged in a trade or business within the selected SIC listed on page 21 through page 23 of this booklet. Enter the SIC code of the establishment that qualifies you to take this credit on form FTB 3809, Side 1. If your business has more than one establishment, and if more than one of the establishments qualifies you to take this credit, enter the SIC code that best represents your primary qualifying establishment.

The list of principal business activities and their associated codes are designed to classify a business by the type of activity in which it is engaged to facilitate the administration of the California Revenue and Taxation Code. The PBA codes are listed on page 24 through page 26. Enter the PBA code of your principal activities on form FTB 3809, Side 1.

## Part I – Credits

### Line 1a – Hiring Credit

Qualified employers conducting a trade or business within the TTA may claim the hiring credit for a qualified employee. A qualified employee is an individual who meet all of the following:

- Was hired after November 1, 1998.
- Spends at least 90% of his or her work time (for the qualified employer) on activities directly related to the conduct of a trade or business located within the TTA.
- Performs at least 50% of the work (for the qualified employer) within the boundaries of the TTA.
- Immediately preceding employment with qualified employer, was any of the following:
  1. A person receiving or eligible to receive subsidized employment, training, or services funded by the federal Job Training Partnership Act (JTPA) or its successor.

2. A person eligible to be a voluntary or mandatory registrant under the Greater Avenues for Independence Act of 1985 (GAIN) or its successor.
3. A member of a targeted group as defined in the federal Work Opportunity Tax Credit (WOTC) or its successor.
4. An economically disadvantaged individual 14 years of age or older.
5. A qualified dislocated worker.
6. A disabled individual eligible for, enrolled in, or who completed a state rehabilitation plan.
7. A service-connected disabled veteran.
8. A veteran of the Vietnam era.
9. A veteran who recently separated from military service.
10. An ex-offender.
11. A person eligible for or a recipient of any of the following:
  - Federal Supplemental Security Income (SSI) benefits.
  - Aid to Families with Dependent Children (AFDC).
  - Food stamps.
  - State and local general assistance.
12. A Native American.
13. A resident of the TTA.

For more information, refer to the federal JTPA or its successor, the Workforce Investment Act (WIA).

Employers hiring qualified employees, get VoucherCert 10-07 from the local agency responsible for verifying employee eligibility. Do not file VoucherCert 10-07 with your return. Keep copies for your record.

The percentage of wages used to compute the credit depends on the number of years the employee works for the employer in the TTA. The applicable percentage begins at 50% and declines 10% for each year of employment. After the fifth year of employment, no credit can be generated.

Wages that qualify for the hiring credit are those wages paid or incurred to hire a qualified employee for the consecutive 60-month period beginning on the first day the employee commenced employment with the employer. For an employer that operates a business that has regularly occurring seasonal or intermittent employment decreases and increases, reemployment of an individual is not a new hire; rather, it is a continuation of the prior employment and does not constitute commencement of employment for the qualified wages test.

The credit is based on the smaller of the following:

- The actual hourly rate paid or incurred by the employer for work performed by the employee during the taxable year.
- 150% of the minimum hourly wage established by the Industrial Welfare Commission.

Where the California minimum wage is higher than the federal minimum wage, the California minimum wage is used for purposes of

computing the TTA hiring credit. The current minimum wage is \$8.00 per hour. For purposes of computing the TTA hiring credit, 150% of the minimum wage is \$12.00 per hour.

### Example:

John Anderson was hired on January 1, 2008. John's hourly rate for the first month was the minimum wage of \$8.00. At the beginning of the second month, his hourly rate increased to \$8.50. For the third month, John's hourly rate increased to \$12.50. The hourly rate that qualifies for the credit is limited to 150% of the minimum wage, or currently \$12.00 per hour. The amount of qualified wages is computed as follows:

Month(s)	Hours x per month	Hourly = rate allowed	Qualified wages per month
1	175	\$ 8.00	\$1,400.00
2	170	\$ 8.50	\$1,445.00
3	170	\$12.00	\$2,040.00

### Record Keeping

Retain a copy of VoucherCert 10-07 to substantiate an individual's eligibility as a "qualified employee." In addition, for each qualified employee, keep a schedule of the first 60 months of employment showing (at least) the following:

- Employee's name.
- Date the employee was hired.
- Number of hours the employee worked for each month of employment.
- Smaller of the hourly rate of pay for each month of employment or 150% of the minimum wage.
- Location of the employee's job site and duties performed.
- Records of any other federal or state subsidies received for hiring the qualified employee.
- Total qualified wages per month for each month of employment.

## Instructions for Worksheet I — Hiring Credit Computation & Recapture

### Section A – Credit Computation

**Line 1, column (a)** – Enter the name of each qualified employee. Attach additional schedule(s) if necessary.

**Line 1, column (b) through column (f)** – Enter in the appropriate column, the qualified wages paid or incurred during the taxable year to each employee listed in column (a).

**Line 2, column (b) through column (f)** – Add the amounts in each column.

**Line 3, column (b) through column (f)** – Multiply the total in each column of line 2 by the percentage in each column.

### Line 4

A. For partnerships, enter the amount from line 4 on form FTB 3809, Side 1, Part I, line 1a. Include the current year hiring credit amount on Form 565 and Form 568, Schedule K, line 15f and the distributive



share of the credit to partners and members on Schedule K-1 line 15f. In addition, add the entire amount of the credit on Schedule K, line 1, column (c).

B. For corporations, individuals, estates, and trusts, enter the amount from line 4 on Schedule Z, as follows:

- Part II, line 8B, column (b) for corporations, individuals, estates, and trusts.
- Part III, line 10, column (b) for S corporations.
- Part IV, line 12, column (b) for corporations and S corporations subject to paying only the minimum franchise tax.

#### Credit Limitations

- The amount of hiring credit claimed may not exceed the amount of tax on TTA business income in any year. Use Schedule Z on Side 2 of form FTB 3809 to compute the credit limitation.
- In the case where the business is qualified to take the TTA hiring credit as well as another credit (e.g., EZ, MEA, or LAMBRA hiring credit) for the same wage expense, the business may claim only one credit.

- S corporations may claim only 1/3 of the TTA hiring credit against the 1.5% entity-level tax (3.5% for financial S corporations). S corporations can pass through 100% of the credit to their shareholders. The 2/3 of the credit is lost and the remaining 1/3 can be carried over if it cannot be used in the current year.

### Section B – Credit Recapture

Recapture (add back to the tax liability) the amount of credit attributable to an employee's wages if the employer terminates the employee at any time during the longer of the following:

- The first 270 days of employment (whether or not consecutive).
- 90 days of employment plus 270 calendar days.

Employers of seasonal employees must recapture the amount of hiring credit attributable to the employee's wages if both of the following apply:

- The employer terminates the employee before the completion of 270 days of employment.

- The 270 days is during the 60-month period beginning the day the employee commences employment with the employer.

A "day of employment" means any day the employee receives wage compensation (including a paid sick day, holiday, or vacation day).

The employer must add to the current year's tax the amount of credit claimed in the year of termination and all prior years in which the credit was claimed for the terminated employee.

The credit recapture does not apply if the termination of employment was any of the following:

- Voluntary on the part of the employee.
- In response to misconduct of the employee.
- Caused by the employee becoming disabled (unless the employee was able to return to work and the employer did not offer to reemploy the individual).
- Carried out so that other qualified individuals could be hired, creating a net increase in both the number of qualified employees and the number of hours worked.

## Worksheet I Hiring Credit Computation & Recapture — Targeted Tax Area

### Section A Hiring Credit Computation

Qualified wages paid or incurred for year of employment					
(a) Employee's name	(b) 1st year	(c) 2nd year	(d) 3rd year	(e) 4th year	(f) 5th year
1					
2 Total. See instructions . . . . .	.50	.40	.30	.20	.10
3 Multiply line 2 by the percentage for each column. See instructions . . . . .					
4 Add line 3, column (b) through column (f). See instructions. . . . .					
You cannot take the TTA hiring credit as well as another credit for the same wage expense.					4

### Section B Hiring Credit Recapture

(a) Terminated employee's name	(b) Recapture amount
1	
2 Total amount of credit recapture. Add the amount in column (b). See instructions for where to report on your California tax return . . . . .	2

- Due to a substantial reduction in the employer's trade or business operations.

Enter the name(s) of employee(s) even if one of the above exceptions to recapture is met.

**Line 1, column (a)** – Enter the name of the terminated employee(s). Attach additional schedule(s) if necessary.

**Line 1, column (b)** – Enter the amount of credit recapture for each employee listed in column (a).

**Line 2** – Enter the amount from line 2, column (b) on form FTB 3809, Side 1, Part V, line 5.

Also, include the amount of hiring credit recapture on your California tax return or schedule as follows:

- Form 100, Schedule J, line 5.
- Form 100S, Schedule J, line 5 and Schedule K-1 (100S), line 17d.
- Form 100W, Schedule J, line 5.
- Form 109, Schedule K, line 4.
- Form 540, line 33.
- Long Form 540NR, line 41.
- Form 541, line 21b and Schedule K-1 (541), line 14d.
- Form 565, Schedule K, line 20c and Schedule K-1 (565), line 20c.
- Form 568, Schedule K, line 20c and Schedule K-1 (568), line 20c.

Indicate that you included the hiring credit recapture on your tax return by writing **"FTB 3809"** in the space provided on the schedule or form.

Partnerships identify the recapture amounts for their partners and members on Schedule K-1 (565 or 568).

S corporation shareholders must recapture the portion of the credit that was previously claimed, based on the terminated employee's wages. In addition, identify the recapture amount for shareholders on Schedule K-1 (100S). This amount will differ from the amount recaptured by the S corporation on Form 100S, Schedule J.

## Line 1b – Sales or Use Tax Credit

**Individuals, estates, trusts, and partnerships** may claim an annual credit equal to the sales or use tax paid or incurred to purchase up to \$1 million of qualified property per taxable year.

**Corporations** may claim a credit equal to the sales or use tax paid or incurred to purchase up to \$20 million of qualified property per taxable year. Individuals who are S corporation shareholders may claim their pro-rata share of pass-through credit to the extent the S corporation paid or incurred sales or use tax to purchase up to \$1 million of qualified property. See the example in the next column.

Qualified property is machinery or machinery parts used to perform the following:

- Manufacture, process, fabricate, or otherwise assemble a product.
- Produce renewable energy resources.
- Control air or water pollution.

In addition, qualified property is defined as follows:

- Data processing and communications equipment including, but not limited to, computers, computer-automated drafting systems, copy machines, telephone systems, and fax machines.
- Motion picture manufacturing equipment central to production and postproduction including, but not limited to, cameras, audio recorders, and digital image and sound processing equipment.

The business must use the property **exclusively** within the boundaries of the TTA. Qualified property must be purchased and placed in service after the TTA received its designation and before the TTA designation expires.

The use tax paid or incurred on purchases of property outside California qualifies for the credit only if property of a comparable quality and price was not timely available in California at the time it was purchased.

### Leased Property

The sales tax paid or incurred on qualified property being purchased using a financial (conditional sales) contract qualifies for the sales or use tax credit.

To determine whether the lease qualifies as a purchase rather than a true lease, see federal Revenue Ruling 55-540, and FTB Legal Ruling 94-2.

### Credit Limitations

- The amount of sales or use tax credit claimed may not exceed the amount of tax on the TTA business income in any year.
- Any unused credit may be carried over and applied against the tax on TTA business income in future years until exhausted.
- In the case where the business is qualified to take the TTA sales or use tax credit as well as another state credit (e.g. enterprise zone sales or use tax credit, or LAMBRA sales or use tax credit) for the same piece of property, the business may only claim one credit for that property.

### Depreciation

Any taxpayer that claims this credit cannot increase the basis of the qualified property with respect to the sales or use tax paid or incurred in connection with the purchase of qualified property.

### Example:

XYZ Inc., an S corporation, purchases qualified property for \$20 million (\$20 m.). The sales tax rate is 6% (.06) and the entity-level tax rate is 1.5% (.015).

The credit allowed XYZ Inc. and the depreciable basis of the qualified property for XYZ Inc. are computed as follows:

Facts	Depreciable basis
Qualified property	\$20 m.
Sales tax paid (\$20 m. x .06)	+1.2 m.
Sales or use tax credit allowed XYZ Inc.	(1.2 m.)
Depreciable basis of qualified property for XYZ Inc.	\$20 m.
Credit allowed to offset the entity-level tax (\$1.2 m. x 1/3)	\$0.4 m.

XYZ Inc. has two 50% shareholders. The credit passed through to the shareholders and the depreciable basis of the qualified property for the shareholders are computed as follows:

Facts	Depreciable basis
Qualified property (purchased by XYZ Inc.)	\$20 m.
Sales tax paid (\$20 m. x .06)	+1.2 m.
Maximum qualified costs for sales or use tax credit is 1m.	
Sales or use tax credit allowed to the shareholders (\$1 m. x .06)	(.06 m.)
Depreciable basis of qualified property for the shareholders	\$21.14 m.
Total amount of credit allowed to the shareholders	.06 m.

Each shareholder is allowed a pass-through credit of \$30,000 (.06 m. ÷ 2 = .03 m.) sales or use tax credit.

To compute the difference between California and federal depreciation, use the following forms or schedules:

- Form 100 or Form 100W filers – FTB 3885, Corporation Depreciation and Amortization.
- Form 100S filers – Schedule B (100S), S Corporation Depreciation and Amortization.
- Form 109 filers – Form 109, Schedule J, Depreciation.
- Exempt trusts use FTB 3885F, Depreciation and Amortization.
- Form 540 and Long Form 540NR filers – FTB 3885A, Depreciation and Amortization — Adjustments.
- Form 541 filers – FTB 3885F, Depreciation and Amortization.
- Form 565 filers – FTB 3885P, Depreciation and Amortization.
- Form 568 filers – FTB 3885L, Depreciation and Amortization.

### Record Keeping

To support the sales or use tax credit claimed, keep all records that document the purchase of the qualified property, such as the sales receipt and proof of payment. Additionally, keep all records that identify or describe the following:

- The property purchased (such as serial numbers, etc.).
- The amount of sales or use tax paid or incurred on its purchase.

- The location where it is used.
- If purchased from a manufacturer located outside California, records to substantiate that property of comparable quality and price was not timely available for purchase in California.

**Instructions for Worksheet II  
— Sales or Use Tax Credit**

**Line 1, column (a)** – List the items of qualified property purchased during the year. For each item, provide the location (street address and city) of its use. Attach additional schedule(s) if necessary.

**Line 1, column (b)** – Enter the cost of the property listed in column (a).

**Line 1, column (c)** – Enter the amount of sales or use tax paid or incurred on the property listed in column (a).

**Line 2, column (b)** – Add the amounts in line 1, column (b). This amount cannot exceed \$1 million for individuals, estates, trusts, partnerships, or \$20 million for corporations

per taxable year. When computing the amount of credit to pass through to S corporation shareholders, use the \$1 million limitation.

**Line 2, column (c)**

- A. For partnerships, enter the amount from line 2, column (c), on form FTB 3809, Side 1, Part I, line 1b. Also, include the current year sales or use tax credit amount on Form 565 or Form 568, Schedule K, line 15f and the distributive share of the credit to partners and members on Schedule K-1 line 15f.
- B. For corporations, individuals, estates, and trusts, enter the amount from line 2, column (c) on Schedule Z, as follows:
- Part II, line 9B, column (b) for corporations, individuals, estates, and trusts.
  - Part III, line 11, column (b) for S corporations.
  - Part IV, line 13, column (b) for corporations and S corporations subject to paying only the minimum franchise tax.

Only the sales or use tax paid or incurred on the cost of qualified property up to the limitations in column (b) may be claimed as a credit.

**Worksheet II Sales or Use Tax Credit — Targeted Tax Area**

(a) Property description and location		(b) Cost	(c) Sales or use tax
1			
2 Total the amounts in column (b) and column (c). See instructions . . . . .		2	

## Part II – Business Expense Deduction

Certain businesses conducting a qualified trade or business within the TTA may elect to treat 40% of the eligible cost of qualified property as a business expense rather than a capital expense. For the year the property is placed in service, the business may deduct the eligible cost in the current year rather than depreciate it over several years.

The TTA business expense deduction is not allowed for estates and trusts.

**Qualified property** is any recovery property that is IRC Section 1245 property which includes, but is not limited to, tangible personal property (excluding buildings) and most equipment and furnishings acquired by purchase after the TTA received its final designation and before the designation expires for exclusive use within the TTA. Office supplies and other small nondepreciable items are not included.

The maximum aggregate cost of the qualified property against which the 40% deduction may be claimed in any taxable year is determined by the number of taxable years that have elapsed since the TTA received its final designation. The TTA received final designation on November 1, 1998.

The maximum aggregate cost is:

Taxable year of designation . . . . .	\$100,000
1st taxable year after designation . . .	\$100,000
2nd taxable year after designation . . .	\$75,000
3rd taxable year after designation . . .	\$75,000
Each remaining taxable year after designation . . . . .	\$50,000

### Election

The business must elect to treat the cost of qualified property as a business expense in the year the property is first placed in service. However, the TTA business expense deduction is not allowed if the property was:

- Transferred between members of an affiliated group.
- Acquired as a gift or inherited.
- Traded for other property.
- Received from a personal or business relation as defined in IRC Section 267 or 707(b).
- Described in IRC Section 168(f).

The TTA business expense deduction must be claimed by making an election on the original return filed, and thus cannot be claimed on an amended return. Such an election cannot be revoked without the written consent of the FTB.

A taxpayer and spouse/RDP filing separate returns may each claim 50% of the allowable deduction. In the case of a partnership, the 40% limitation applies to the partnership and to each partner.

### Depreciation

If the business elects to deduct the amount computed in Worksheet III, Section A (see page 9), as a business expense, reduce the depreciable basis of the property by the deduction.

Subtract the amount claimed as a business expense from the basis or cost of the property and depreciate the remaining basis or cost.

Normal depreciation is allowed on the cost of the property in excess of the expensed amount, starting with the taxable year following the taxable year the property was placed in service.

Corporations may not claim the additional first-year depreciation allowed under R&TC Section 24356 on any item of property if any portion of it was deducted as a business expense. All other taxpayers cannot claim the deduction allowed under IRC Section 179 on any item of property if any portion of it was deducted as a business expense.

To compute the difference between California and federal depreciation, use the forms or schedules listed on page 6.

## Instructions for Worksheet III — Business Expense Deduction & Recapture

### Section A – Deduction Computation

**Line 2, column (a)** – Enter a description of the property and the location (street address and city) of its use. Attach additional schedule(s) if necessary.

**Line 2, column (b)** – Enter the cost of the property listed in column (a).

**Line 5** – Enter the amount from line 5, column (b) on form FTB 3809, Side 1, Part II, line 2, and on your California tax return or schedule as follows:

- Form 100 and Form 100W, line 15.
- Form 100S, line 12, Form 100S, Schedule K, line 11, and Schedule K-1 (100S), line 11.
- Form 109, Part II, line 24.
- Schedule CA (540), column B, on the applicable line for your business activity.
- Schedule CA (540NR), column B, on the applicable line for your business activity.
- Form 565, Schedule K, line 12 and Schedule K-1 (565), line 12.
- Form 568, Schedule K, line 12 and Schedule K-1 (568), line 12.

### Section B – Deduction Recapture

The deduction is subject to recapture (added back to income) if, before the close of the second taxable year after the property was placed in service, the property is sold, disposed of, or no longer used exclusively in the TTA trade or business.

**Income Adjustment:** Add to current year income the amount previously deducted for the property.

**Basis Adjustment:** As of the first day of the taxable year in which the recapture event occurs, the recapture amount is added back to the basis in the year of recapture and then depreciated over the remaining life of the qualified property.

**Line 1, column (a)** – Enter a description of the property. Attach additional schedule(s) if necessary.

**Line 1, column (b)** – Enter the amount of the business expense deduction claimed for each property listed in column (a).

**Line 2** – Enter the total on form FTB 3809, Side 1, Part V, line 6, and on your California tax return or schedule as follows:

- Form 100, line 15, as a **negative** amount.
- Form 100S, line 12, as a **negative** amount, Form 100S, Schedule K, line 10b, and Schedule K-1 (100S), line 10b.
- Form 100W, line 15, as a **negative** amount.
- Form 109, Part I, line 12.
- Schedule CA (540), column C, on the applicable line for your business activity.
- Schedule CA (540NR), column C, on the applicable line for your business activity.
- Form 565, Schedule K, line 11 and Schedule K-1 (565), line 11.
- Form 568, Schedule K, line 11 and Schedule K-1 (568), line 11.

### Example:

XYZ Inc. purchased a property on June 1, 2006 that qualified the corporation to take the TTA business expense deduction. The property was purchased for \$10,000 and it had a useful life of five years. XYZ Inc.'s taxable year ends December 31 of each year. The corporation had a business expense deduction of \$4,000 for the taxable year ending December 31, 2006 on the property.

Assume the corporation disposes of the property or no longer uses the property in the TTA on August 5, 2008. The property was placed in service in 2006. The first year after the property was placed in service was the 2007 taxable year. The second year after the property was placed in service was the 2008 taxable year. Since the property was disposed of or no longer used in the TTA before the end of the second year (December 31, 2008) after the year the property was placed in service, the business expense deduction (\$4,000) must be added to income in the 2008 taxable year. If the property was disposed of or no longer used in the TTA after December 31, 2008, there is no recapture.



**Situation 1**

Assume on August 5, 2008, the corporation sells the asset. To compute the gain or loss on the sale, the basis of the asset is increased by the recapture amount of \$4,000.

**Situation 2**

Assume on August 5, 2008, the corporation discontinued using the property in the zone, but does not sell the asset. To compute depreciation on the asset, the recapture amount is added to the remaining basis of the asset, and depreciation is then computed over the remainder of the useful life of the asset.

Assuming straight-line depreciation is used, the corporation will recognize \$2,833 (\$8,500/3) in depreciation expense in 2007. (\$8,500 is arrived at by adding the \$4,000 recapture amount to the \$4,500 remaining basis as of December 31, 2007.)

**Worksheet III Business Expense Deduction & Recapture — Targeted Tax Area**
**Section A Deduction Computation**

**1** The maximum aggregate deduction is as follows:

- Taxable year of designation, enter \$40,000
- 1st taxable year after designation, enter \$40,000
- 2nd taxable year after designation, enter \$30,000
- 3rd taxable year after designation, enter \$30,000
- Each remaining taxable year after designation, enter \$20,000 . . . . .

**1**

<b>(a)</b> Property description and location		<b>(b)</b> Cost
<b>2</b>		
<b>3</b> Total. Add line 2, column (b) . . . . .		<b>3</b>
<b>4</b> Multiply line 3 by 40% (.40) . . . . .		<b>4</b>
<b>5</b> Enter the smaller of line 1 or line 4. This is the maximum amount deductible as a business expense for the TTA. See instructions . . . . .		<b>5</b>

**Section B Deduction Recapture**

<b>(a)</b> Property description	<b>(b)</b> Recapture amount
<b>1</b>	
<b>2</b> Total recapture amount. Add line 1, column (b). See instructions . . . . .	<b>2</b>

## Part III – Portion of Business Attributable to the Targeted Tax Area

TTA tax credits are limited to the tax on business income attributable to operations within the TTA. TTA deductions are limited to business income attributable to operations within the TTA. If the business is located within and outside the TTA, determine the portion of total business operations that are attributable to the TTA.

### Business Income vs. Nonbusiness Income

Only business income is apportioned to the TTA to determine the incentive limitation.

Business income is defined as income arising from transactions and activities in the regular course of the trade or business. Business income includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the regular trade or business operations. Nonbusiness income is all income other than business income. See Cal. Code Regs., tit. 18 section 25120 for further references and examples of nonbusiness income.

For an individual, business income includes, but is not limited to, California business income or loss from federal Form 1040, Schedules C,D,E,F, and California Schedule D-1 (or federal Form 4797, Sales of Business Property, if California Schedule D-1 is not needed), as well as wages. Be sure to include casualty losses, disaster losses, and any business deductions reported on federal Form 1040 Schedule A as itemized deductions. Generally, all income which arises from the conduct of trade or business operations of a taxpayer is business income.

If you elected to carry back part or all of your current year disaster loss under IRC Section 165(i)(1), do not include the amount of the loss that was carried back in your current year business income from the TTA. Pass-through entities must report to their shareholders, beneficiaries, partners, and members the following items:

1. The distributive (or pro-rata for S corporations) share of the business income apportioned to the TTA.
2. The distributive (or pro-rata for S corporations) share of the business capital gains and losses apportioned to the TTA included in item 1.

Report these items as other information on Schedule K-1 (100S, 541, 565, or 568.)

Form 540 and Long Form 540NR filers, refer to Worksheet IV, Section C to compute business income apportioned to the TTA.

For business entities, including sole proprietors, use Worksheet IV, Section A or B to compute business income or loss apportioned to the TTA.

### Apportionment

Business income is apportioned to the TTA by multiplying the total California business income of the taxpayer by a fraction. The numerator which is the property factor plus the payroll factor, and the denominator which is two. Loss is apportioned to the TTA by multiplying the taxpayer's net business operating loss from all sources by a fraction. The numerator which is the property factor plus the payroll factor, and the denominator which is two. If an employer conducts businesses in more than one TTA, the TTA apportionment factor and credit limitations are computed separately for each TTA.

#### Property Factor

Property factor is defined as the average value of all real and tangible personal property owned or rented by the taxpayer and used during the taxable year to produce business income.

Property owned by the business is valued at its original cost. Original cost is the basis of the property for federal income tax purposes (prior to any federal adjustment) at the time of acquisition by the business, adjusted for subsequent capital additions or improvements and partial dispositions because of sale or exchange. Allowance for depreciation is not considered.

Rented property is valued at eight times the net annual rental rate. The net annual rental rate for any item of rented property is the total rent paid for the property, less total annual subrental rates paid by subtenants.

When determining income or loss apportionment, on Worksheet IV, Section A or B, the numerator of the property factor is the average value of the taxpayer's real and tangible personal property owned or rented by the taxpayer and used within the TTA during the taxable year to produce TTA business income. See Worksheet IV, Section A/B, column (b).

When determining income apportionment on Worksheet IV, Section A, the denominator of the property factor is the total average value of all the taxpayer's real and tangible personal property owned or rented and used during the taxable year within California. See Worksheet IV, Section A, column (a).

When determining loss apportionment on Worksheet IV, Section B, the denominator of the property factor is the total average value of the taxpayer's real and tangible personal property owned or rented and used during the year in all business operation locations. See Worksheet IV, Section B, column (a).

#### Payroll Factor

Payroll is defined as the total amount paid to the business' employees as compensation for the production of business income during the taxable year.

Compensation means wages, salaries, commissions, and any other form of remuneration paid directly to employees for personal services.

Payments made to independent contractors or any other person not properly classified as an employee are excluded.

#### Compensation Within the TTA

Compensation is considered to be within the TTA if any one of the following tests is met:

1. The employee's services are performed within the geographical boundaries of the TTA.
2. The employee's services are performed within and outside the TTA, but the services performed outside the TTA are incidental to the employee's service within the TTA.

Incidental means any temporary or transitory service performed in connection with an isolated transaction.

3. If the employee's services are performed within and outside the TTA, the employee's compensation is attributed to the TTA if any one of the following items is met:

- A. The employee's base of operations is within the TTA.
- B. There is no base of operations in any other part of the state in which some part of the service is performed, and the place from which the service is directed or controlled is within the TTA.
- C. The base of operations or the place from which the service is directed or controlled is not in any other part of the state in which some part of the service is performed and the employee's residence is within the TTA.

Base of operations is the permanent place from which employees start work and customarily return in order to receive instruction from the taxpayer or communications from their customers or persons; to replenish stock or other material; to repair equipment; or to perform any other functions necessary in the exercise of their trade or profession at some other point or points.

The numerator of the payroll factor is the total compensation paid to employees for working within the TTA during the taxable year. See Worksheet IV, Section A, column (b).

When determining income apportionment on Worksheet IV, Section A, the denominator of the payroll factor is the taxpayer's total compensation paid to employees working in California. See Worksheet IV, Section A, column (a).

When determining loss apportionment on Worksheet IV, Section B, the denominator of the payroll factor is the taxpayer's total compensation paid to employees working in all business operation locations. See Worksheet IV, Section B, column (a).

#### Corporations Filing a Combined Report

Business income for each corporation doing business in the TTA will be its business income apportioned to California (get FTB Pub. 1061 for further information on combined reports and entity income apportionment). The TTA property and payroll factors used in the

determination of TTA income includes only the taxpayer's California amounts in the denominator.

**Example: Computation of TTA income assigned to each entity operating within the TTA**

Parent Corporation A has two subsidiaries, B and C. Corporations A and B operate within the TTA. The combined group operates within and outside California and apportions its income to California using Schedule R. Assume the combined group's business income apportioned to California was \$1,000,000 and Corporation A and B's share of business income assigned to California is \$228,000 and \$250,000 respectively. Corporation A and B's separate TTA and separate California property and payroll factor amounts are shown on this column 2.

Business income apportioned to the TTA is determined as follows:

	A	B
<b>Property Factor</b>		
TTA Property	\$1,000,000	\$ 800,000
California Property	\$1,000,000	\$1,200,000
<b>Apportionment %</b>	100%	66.66%
<b>Payroll Factor</b>		
TTA Payroll	\$ 800,000	\$ 800,000
California Payroll	\$ 800,000	\$1,000,000
<b>Apportionment %</b>	100%	80%
<b>Average Apport. %</b> (Property + Payroll Factors) 2	100%	73.33%
<b>Apportioned Business Income</b>	\$ 228,000	\$ 250,000
<b>TTA Business Income</b>	\$ 228,000	\$ 183,325

**Instructions for Worksheet IV – Income or Loss Apportionment**

**Section A – Income Apportionment**

If the business operates solely within the TTA and all its property and payroll are solely within the TTA, enter 100% (1.00) on line 4, of Section A and Section B, column (c). Do not complete the rest of Worksheet IV.

Use Worksheet IV, Section A, Income Apportionment, to determine the amount of business income apportioned to the TTA. The apportioned TTA business income determines the amount of the tax incentives that can be used.

Only California source business income is apportioned to the TTA. A taxpayer's TTA business income is its California apportioned business income multiplied by the specific TTA apportionment percentage.

The TTA property and payroll factors used in the determination of apportionable business income include only the taxpayer's California amounts in the denominator.

**Worksheet IV Income or Loss Apportionment — Targeted Tax Area**

**Section A Income Apportionment**

Use Worksheet IV, Section A, if your business has net income from sources within and outside the TTA.

	(a) Total within California	(b) Total within the TTA	(c) Percentage within the TTA column (b) ÷ column (a)
<b>PROPERTY FACTOR</b>			
<b>1</b> Average yearly value of owned real and tangible personal property used in the business (at original cost). See instructions. Exclude property not connected with the business and the value of construction in progress.			
Inventory . . . . .			
Buildings . . . . .			
Machinery and equipment . . . . .			
Furniture and fixtures . . . . .			
Delivery equipment . . . . .			
Land . . . . .			
Other tangible assets (attach schedule). . . . .			
Rented property used in the business. See instructions for more information. . . . .			
<b>Total property values . . . . .</b>			
<b>PAYROLL FACTOR</b>			
<b>2</b> Employees' wages, salaries, commissions, and other compensation related to business income included in the return.			
<b>Total payroll . . . . .</b>			
<b>3</b> Total percentage – sum of the percentages in column (c) . .			
<b>4</b> Average apportionment percentage (1/2 of line 3). Enter here and on form FTB 3809, Side 1, line 3. . . . .			

The average apportionment percentage shown on line 4 represents the portion of the taxpayer's total business that is attributable to activities conducted within the TTA. Factors with zero balances in the totals of column (a) will not be included in the computation of the average apportionment percentage. For example, if the taxpayer does not have any payroll within or outside the TTA, the average apportionment percentage would be computed by dividing line 3 by one instead of by two as normally instructed.

## Section B – Loss Apportionment

Use Worksheet IV, Section B, Loss Apportionment, to determine your net operating loss apportioned to the TTA. A taxpayer's TTA net operating loss is its net business operating loss from all sources multiplied by the specific TTA apportionment percentage computed in Worksheet IV, Section B.

The TTA property and payroll factors used in the determination of the apportioned business net operating loss include worldwide amounts in the denominator.

### Worksheet IV Income or Loss Apportionment – Targeted Tax Area (continued)

#### Section B Loss Apportionment (For the computation of current year net operating loss only)

Use Worksheet IV, Section B, if your business has net losses from sources within and outside the TTA.

	(a) Total within and outside the TTA	(b) Total within the TTA	(c) Percentage within the TTA column (b) ÷ column (a)
<b>PROPERTY FACTOR</b>			
<b>1</b> Average yearly value of owned real and tangible personal property used in the business (at original cost). See instructions. Exclude property not connected with the business and the value of construction in progress.			
Inventory . . . . .			
Buildings . . . . .			
Machinery and equipment . . . . .			
Furniture and fixtures . . . . .			
Delivery equipment . . . . .			
Land . . . . .			
Other tangible assets (attach schedule) . . . . .			
Rented property used in the business. See instructions for more information . . . . .			
<b>Total property values</b> . . . . .			
<b>PAYROLL FACTOR</b>			
<b>2</b> Employees' wages, salaries, commissions, and other compensation related to business income included in the return.			
<b>Total payroll</b> . . . . .			
<b>3</b> Total percentage – sum of the percentages in column (c) . .			
<b>4</b> Average apportionment percentage (1/2 of line 3). Enter here and on Worksheet V, Section B, line 4 . . . . .			

The average apportionment percentage shown on line 4 represents the portion of the taxpayer's total business that is attributable to activities conducted within the TTA. Factors with zero balances in the totals of column (a) will not be included in the computation of the average apportionment percentage. For example, if the taxpayer does not have any payroll within or outside the TTA, the average apportionment percentage would be computed by dividing line 3 by one instead of by two as normally instructed.



## Section C – Income or Loss

Form 540 and Long Form 540NR filers, use Worksheet IV, Section C to determine the amount to enter on the following:

- Worksheet V, Section A, line 1
- Worksheet V, Section C, line 1 and line 6
- Schedule Z, Part I, line 1 and line 3

Do not include disaster losses in any amounts used in the table.

Only California source business income is apportioned to the TTA. A taxpayer's TTA business income is its California apportioned business income computed using Schedule R, multiplied by the specific TTA apportionment percentage computed using Worksheet IV, Section A.

The first step is to determine which portion of the taxpayer's net income is "business income" and which portion is "nonbusiness income," since only business income is apportioned to the TTA. See Part III, Portion of Business Attributable to the Targeted Tax Area, for a complete discussion of business and nonbusiness income.

Business income or loss reported on federal Form 1040 Schedule C, C-EZ, E, F, and other schedules are reported on line 6 through line 9. Line 11 and line 12 report business gains or losses reported on Schedule D and Schedule D-1. All business income and losses should be adjusted for any differences between California and federal amounts as shown on the Schedule CA.

## Part I – Individual Income and Expense Items

### Wages

For taxpayers with wages from a company located within and outside the TTA, determine the TTA wage income by entering the percentage of the time that they worked within the TTA in column (b). The percentage of time should be for the same period for which the wages entered on line 1 were earned. Determine this percentage based on their record of time and events such as a travel log or entries in a daily planner.

## Part II – Pass-Through Income or Loss

### Multiple Pass-Through Entities

If you are a shareholder, beneficiary, partner, or member in multiple pass-through entities with businesses located within and outside the TTA from which you received TTA tax incentives, see the example below for computing business income in the TTA.

### Example:

Pass-through entity	Trade or business income from Schedule K-1 (100S, 541, 565, or 568)	Entity's TTA apportionment percentage	TTA apportioned income
ABC, Inc.	\$40,000	80%	\$32,000
A, B, & C	30,000	10%	3,000
ABC, LLC	10,000	50%	5,000
<b>Total</b>			<b>\$40,000</b>

## Part III – Taxpayer's Trade or Business

### Business Income or Loss

Use business income or loss from federal Form 1040 Schedules C, C-EZ, E, and F, plus California adjustments from Schedule CA (540 or 540NR) for each trade or business. Also, include business capital gains and losses from Schedule D and business gains and losses from Schedule D-1 as adjusted on Schedule CA (540 or 540NR).

### Income Computation

#### Located Entirely Within the TTA

##### Line 6 – Line 9

If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, F, or other schedule is entirely within the TTA, enter the income or loss from this activity within column (a), and enter 1.00 in column (b).

##### Line 11 and Line 12

If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted entirely within the TTA, enter the gain or loss reported in column (a), and enter 1.00 in column (b).

#### Located Entirely Within California

##### Line 6 – Line 9

If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, F, or other schedule is entirely within California, enter the income or loss from this activity in column (a). To determine the apportionment percentage in column (b), complete Worksheet IV, Section A. Enter the percentage from Worksheet IV, Section A, line 4, column (c) on Worksheet IV, Section C, column (b).

##### Line 11 and Line 12

If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted entirely within California, enter the gain or loss reported in column (a). To determine the apportionment percentage figure in column (b), complete Worksheet IV, Section A. Enter the percentage from Worksheet IV, Section A, line 4, column (c) on Worksheet IV, Section C, column (b).

#### Located Within and Outside the TTA and California

##### Line 6 – Line 9

If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, F, or other schedule is within and outside the TTA and California, get California Schedule R and complete line 1 through line 18b and line 28 through line 31. Enter the amount from Schedule R, line 18b and line 31 in column (a) of this worksheet. To determine the apportionment percentage in column (b), complete Worksheet IV, Section A. Enter the percentage from Worksheet IV, Section A, line 4, column (c) on Worksheet IV, Section C, column (b).

When computing Schedule R, disregard any reference to Forms 100, 100W, 565, or 568. Also, disregard any reference to Schedules R-3, R-4, or R-5.

Nonresidents that have an apportioning business that operates within the TTA should have already computed Schedule R, and can use those amounts when that schedule is referenced. Residents complete a Schedule R in order to determine their California source business income for purposes of the TTA credit computation.

##### Line 11 and Line 12

If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted within and outside the TTA and California, get Schedule R and complete Schedule R-1. Multiply the gain or loss reported by the percentage on Schedule R-1, line 5 and enter the result in column (a). To determine the apportionment percentage in column (b), complete Worksheet IV, Section A. Enter the percentage from Worksheet IV, Section A, line 4, column (c) on Worksheet IV, Section C, column (b).

##### Line 14

If you are computing the TTA Net Operating Loss (NOL) and the result on Worksheet IV, Section C, line 14, column (c) is a **negative** amount, enter this amount on Worksheet V, Section A, line 1.

If the amount is **positive**, you do not have a TTA NOL.

If you are computing the TTA business income and the result on Worksheet IV, Section C, line 14, column (c) is a **positive** amount and:

- You have TTA NOL carryovers, enter the amount on Worksheet V, Section C, line 1 and line 6 (skip line 2 through line 5).
- You have TTA credits or credit carryovers, enter the amount on Schedule Z, Part I, line 1 and line 3 (skip line 2).

If the amount is **negative**, you do not have any business income attributable to the TTA and you cannot utilize any TTA NOL carryover, credit(s), or credit carryover(s) in the current taxable year.

### Loss Computation

#### Located Entirely Within the TTA

##### Line 6 – Line 9

If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, F, or other schedule is entirely within the TTA, enter the income or loss from this activity in column (a), and enter 1.00 in column (b).

##### Line 11 and Line 12

If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted entirely within the TTA, enter the gain or loss reported in column (a), and enter 1.00 in column (b).

**Located Within and Outside the TTA****Line 6 – Line 9**

If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, F, or other schedule is within and outside the TTA, enter the income or loss from this activity in column (a). To determine the apportionment percentage in column (b), complete Worksheet IV, Section B. Enter the percentage from Worksheet IV, Section B, line 4, column (c) on Worksheet IV, Section C, column (b).

**Line 11 and Line 12**

If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted within and outside the TTA, enter the gain or loss reported in column (a). To determine the apportionment percentage in column (b), complete Worksheet IV, Section B. Enter the percentage from Worksheet IV, Section B, line 4, column (c) on Worksheet IV, Section C, column (b).

**Line 14**

See line 14 under: Worksheet IV, Section C, Part III, under Income Computation (Page 13).

**Worksheet IV Income or Loss Apportionment-Targeted Tax Area (continued)****Section C Income or Loss****Part I Individual Income and Expense Items.** See instructions.

	(a) Amount	(b) Percentage of time providing services in the TTA	(c) Apportioned amount (a) x (b)
<b>1</b> Wages.....			
<b>2</b> Employee business expenses.....			
<b>3</b> Total. Add line 1, column (c) and line 2, column (c).....			

**Part II Pass-Through Income or Loss.** See instructions.

(a) Name of entity	(b) Distributive or pro-rata share of business income or loss apportioned to the TTA from Schedule K-1 (100S, 541, 565, or 568) including capital gains and losses
<b>4</b>	
<b>5</b> Total. Add line 4, column (b).....	

**Part III Taxpayer's Trade or Business.** See instructions.

	(a) Business income or loss	(b) Apportionment percentage for the TTA	(c) Apportioned income or loss (a) x (b)
<b>6</b> Schedule C or C-EZ.....			
<b>7</b> Schedule E (Rentals).....			
<b>8</b> Schedule F.....			
<b>9</b> Other business income or loss.....			
<b>10</b> Total. Add line 6 through line 9, column (c).....			
	(a) Business gain or loss	(b) Apportionment percentage for the TTA	(c) Apportioned gain or loss (a) x (b)
<b>11</b> Schedule D.....			
<b>12</b> Schedule D-1.....			
<b>13</b> Total. Add line 11, column (c) and line 12, column (c).....			
<b>14</b> Total. Add line 3, line 10, and line 13, column (c), and line 5, column (b) See instructions.....			

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## Part IV – Net Operating Loss (NOL) Carryover and Deduction

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A TTA NOL generated by a business that operates or invests within the TTA can be carried forward for 15 years but may not be carried back. In addition, up to 100% of the NOL generated in the TTA can be carried forward.

The business cannot generate NOLs from activities within the TTA before the first taxable year beginning on or after the date the TTA is officially designated or for the taxable years ending after the designation expires. The Tulare County TTA received final designation on November 1, 1998.

### Limitation

A TTA NOL deduction can only offset business income attributable to operations within the TTA.

### Election

Elect and designate the carryover category (general or specific, enterprise zone, LAMBRA, TTA, or Pierce's disease NOL) on the original return for the year of a loss and file form FTB 3809 for each year in which a TTA NOL deduction is being taken. The election is **irrevocable**.

If you elect the TTA NOL deduction, you are prohibited by law from carrying over any other type of NOL (relating to TTA activities) from this year.

To determine which type of NOL will provide the greatest benefit, businesses that have general or specific, EZ, LAMBRA, TTA, or that may qualify for the special NOL treatment should estimate future income and complete Worksheet V and the following forms or worksheets if applicable:

- FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations.
- FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Individuals, Estates and Trusts.
- FTB 3805Z, Enterprise Zone Business Booklet, Schedule Z.
- FTB 3807, Local Agency Military Base Recovery Area Business Booklet, Worksheet V.

### Alternative Minimum Tax

Taxpayers claiming a TTA NOL deduction determine their NOL for alternative minimum tax purposes. Use Schedule P (100, 100W, 540, 540NR, or 541) to compute the NOL for alternative minimum tax purposes.

### S corporations

TTA NOLs incurred prior to becoming an S corporation cannot be used against S corporation income. See IRC Section 1371(b).

However, an S corporation is allowed to deduct a TTA NOL incurred after the "S" election is made. An S corporation may use the NOL as a deduction against income subject to the 1.5% entity-level tax (3.5% for financial S corporations). The expenses (and income) giving rise to the loss are also passed through to the shareholders in the year the loss is incurred.

### NOL Carryover Amount – Businesses Operating Totally Within the TTA

For taxpayers with all payroll and property within the TTA, the NOL carryover is determined by computing the business loss that results from business activity within the TTA.

### NOL Carryover Amount – Businesses Operating Within and Outside the TTA

If the business is located within and outside the TTA, the loss amount available for carryover is determined by apportioning the total business loss of the entity to the TTA pursuant to the provisions of R&TC Chapter 17 (commencing with Section 25101), with certain modifications to the apportioning factors. The apportionment factors include the property and payroll factors, and compare TTA property and payroll to total property and payroll. The loss is calculated on Worksheet V, Section A for individuals and exempt trusts, and Worksheet V, Section B for corporations. The apportionment factor computation is calculated on Worksheet IV, Section B for business entities and Worksheet IV, Section C for individuals. The loss carryover is deducted from income apportioned by each business to the TTA in subsequent years. This computation is done on Worksheet V, Section C.

Corporations that are members of a unitary group filing a combined report separately compute loss carryover for each corporation in the group (R&TC Section 25108) using individual apportionment factors.

Unlike the NOL treatment on a federal consolidated return, a loss carryover for one member included in a combined report may not be applied to the intrastate apportioned income of another member included in a combined report.

For any water's-edge taxpayer, R&TC Section 24416(c) imposes a limitation on the NOL deduction, if the NOL is generated during a non-water's edge tax year. The NOL carryover is limited to the lesser of the NOL or the re-computed NOL. The re-computed NOL carryover is re-determined by computing the income and factors of the original worldwide combined reporting group, as if the water's-edge election had been in force for the year of the loss. RTC Section 24416(c) serves as a limitation. If this section applies, the NOL carryover for each corporation may only be decreased, but not increased.

## Instructions for Worksheet V — Net Operating Loss (NOL) Computation and Loss Limitations

Individuals and exempt trusts with a current year loss complete Section A. Corporations with a current year loss complete Section B. Individuals, exempt trusts, and corporations with current year income and a prior year TTA NOL carryover complete Section C.

### Section A – Computation of Current Year NOL — Individuals and Exempt Trusts

Use this section to compute the TTA NOL to be carried over to future years by individuals and exempt trusts. Complete Section A only if you have a current year loss.

Complete form FTB 3805V before computing the allowable TTA loss.

To compute the TTA NOL, separate business income and deductions from nonbusiness income and deductions. See Part III for a complete discussion of business and nonbusiness income.

### Section B – Computation of Current Year NOL — Corporations

Use this section to compute the TTA NOL to be carried over to future years for corporations. Complete Section B only if the corporation has a current year loss.

Complete form FTB 3805Q, before computing the allowable TTA loss.

### Section C – Computation of NOL Carryover and Carryover Limitations

For taxable years beginning in **2008 and 2009**, California has suspended the net operating loss (NOL) carryover deduction. Taxpayers may continue to compute and carryover an

NOL during the suspension period. **However**, corporations with taxable income of less than \$500,000, individuals with net business income of less than \$500,000, or with disaster loss carryovers are not affected by the NOL suspension rules.

**Corporations** use forms FTB 100, line 19, FTB 100W, line 19, or FTB 100S, line 16 (net of any adjustments on line 17) to determine the taxable income.

**Individuals** use the California Schedules CA (540) or CA (540NR) line 12 and line 18; the federal Schedule E, line 26, line 32, and line 40; and the federal Form 4797, line 9. Adjust the amounts on the California Schedule CA by Columns B (subtractions) and C (additions) to get your net business income. On the Schedule CA (540NR), use the amounts from Column E to determine your net business income.

The carryover period for suspended losses is extended by:

- Two years for losses incurred in taxable years beginning before January 1, 2008.
- One year for losses incurred in taxable years beginning on or after January 1, 2008, and before January 1, 2009.

For NOLs incurred in taxable years beginning on or after January 1, **2008**, California has extended the NOL carryover period from 10 to 20 taxable years following the year of the loss.

Also, California will allow NOLs incurred in taxable years beginning on or after January 1, 2011, to be carried back to each of the preceding two taxable years. An NOL carryback shall not be carried back to any taxable year beginning before January 1, 2009. The allowable NOL carryback percentage varies. For an NOL incurred in a taxable year beginning on or after:

- January 1, 2011, and before January 1, 2012, the carryback amount to any taxable year shall not exceed 50 percent of the NOL.
- January 1, 2012, and before January 1, 2013, the carryback amount to any taxable year shall not exceed 75 percent of the NOL.

- January 1, 2013, the carryback amount to any taxable year shall not exceed 100 percent of the NOL.

The TTA NOL deduction is used to reduce current year income from the TTA. Use this worksheet to compute the TTA NOL deduction for corporations, individuals, and exempt trusts.

**Line 1** – See Part III (page 10) for a discussion of business and nonbusiness income.

#### Form 540 and Form 540NR filers:

Be sure to include casualty losses, disaster losses, and any business deductions reported on federal Form 1040, Schedule A, as itemized deductions.

**Exception:** If you elected to carry back part or all of your current year disaster loss, under IRC Section 165(i)(1), do not include the amount of the loss that was carried back in the current year business income for the TTA.

**Line 2** – In modifying your income, deduct the capital losses only up to the amount of capital gains. Enter any net capital losses included in line 1 as a positive number.

**Line 3** – Corporations reduce income by the disaster loss deduction and the deduction for excess net passive income.

**Line 6** – This is your modified taxable income (MTI). Reduce the MTI amount by your TTA NOL deduction. The TTA NOL deduction may not be larger than your MTI. If your MTI is a loss in the current year or if it limits the amount of NOL you may use this year, carry over the NOL to future years.

**Line 7** – Enter the amount from line 6. If this amount is zero or negative, transfer the amount(s) from line 8 through line 17, column (b) to column (e). Go to line 18.

**CAUTION:** Your NOL may be suspended. See the explanation under Instructions for Worksheet V, Section C. If your NOL is suspended do not put any amounts in column (c). Carryover the column (b) amount(s) to column (e).

## Worksheet V Net Operating Loss (NOL) Computation and Loss Limitations — Targeted Tax Area

### Section A Computation of Current Year Net Operating Loss — Individuals and Exempt Trusts

1	Net trade or business loss from all sources. <b>Individuals:</b> Enter the total from Worksheet IV, Section C, line 14, column (c) as a positive number. For purposes of this worksheet section, do not include any 2008 losses or disaster loss carryovers in line 1. See instructions for definition of business income. <b>Exempt Trusts:</b> Enter the amount from Form 109, line 4. . . . .	1	
2	Total business capital losses included in line 1. Enter as a positive number . . . . .	2	
3	Total business capital gains included in line 1 . . . . .	3	
4	If line 2 is greater than line 3, enter the difference as a positive number; otherwise enter -0- . . . . .	4	
5	Subtract line 4 from line 1. If the result is zero or less, do not complete the rest of this section. You do not have a current year NOL from the TTA . . . . .	5	
6	Enter the amount from form FTB 3805V, Part I, Section A, line 20 . . . . .	6	
7	Enter the smaller of line 5 or line 6 here and in Section C, line 18, column (e) . . . . . This is the TTA NOL carryover to 2009.	7	



**Worksheet V NOL Computation and Loss Limitations-Targeted Tax Area (continued)****Section B Computation of Current Year Net Operating Loss — Corporations**

If you have a TTA NOL and a prior year general NOL, see instructions.

Check the appropriate box to describe your entity type during the year that the NOL was incurred:

☐ C corporation ☐ S corporation ☐ Exempt corporation

<b>1</b>	Net loss for state purposes from Form 100 or Form 100W, line 18; Form 100S, combined amounts of line 15 and line 17; or Form 109, line 1. Enter as a positive number. Apportioning corporations, enter the amount from Schedule R, line 14 plus line 17 . . . . .	<b>1</b>	
<b>2 a</b>	2008 disaster relief loss included in line 1. Enter as a positive number . . . . .	<b>2a</b>	
<b>b</b>	Nonbusiness income included in line 1. Enter as a negative number . . . . .	<b>2b</b>	
<b>c</b>	Nonbusiness losses included in line 1. Enter as a positive number . . . . .	<b>2c</b>	
<b>d</b>	Combine line 2a through line 2c . . . . .	<b>2d</b>	
<b>3</b>	Subtract line 2d from line 1. If zero or less, do not complete the rest of this section; the corporation does not have a current year NOL . . . . .	<b>3</b>	
<b>4</b>	Enter the average apportionment percentage from Worksheet IV, Section B, line 4 . . . . .	<b>4</b>	
<b>5</b>	Multiply line 3 by line 4 . . . . .	<b>5</b>	
<b>6</b>	Enter the amount from form FTB 3805Q, Part I, line 3 . . . . .	<b>6</b>	
<b>7</b>	Enter the smaller of line 5 or line 6 here and in Section C, line 18, column (e) . . . . .	<b>7</b>	

This is the TTA NOL carryover to 2009.

**Section C Computation of NOL Carryover and Carryover Limitations — Individuals, Exempt Trusts, and Corporations.** See instructions.

<b>1</b>	Enter the amount from Form 100 or Form 100W, line 18; Form 100S, combined amounts of line 15 and line 17; or Form 109, line 1 or line 4. Form 540 and Long Form 540NR filers, enter the total from Worksheet IV, Section C, line 14, column (c) on line 1 and line 6 (skip line 2 through line 5). See instructions. Corporations which file a combined report, enter the taxpayer's business income assigned to California (See instructions Part III) . . . . .	<b>1</b>		
<b>2 a</b>	Form 100, Form 100W, Form 100S, and Form 109 filers: Enter any nonbusiness income included in line 1 as a negative number. Form 540 and Long Form 540NR filers leave blank. . . . .	<b>2a</b>		
<b>b</b>	Form 100, Form 100W, Form 100S, and Form 109 filers: Enter any nonbusiness loss included in line 1 as a positive number. Form 540 and Long Form 540NR filers leave blank. . . . .	<b>2b</b>		
<b>c</b>	Combine line 2a and line 2b . . . . .	<b>2c</b>		
<b>3</b>	Form 100 or Form 100W filers: Enter the amount from Form 100 or Form 100W, line 22. Form 100S filers: Enter the total of the amount from Form 100S, line 17 and line 20. Form 540, Long Form 540NR, and Form 109 filers: Enter -0-. Enter this amount as a negative number. . . . .	<b>3</b>		
<b>4</b>	Combine line 1, line 2c, and line 3. If zero or less, enter -0- on line 6. . . . .	<b>4</b>		
<b>5</b>	Enter the average apportionment percentage from Worksheet IV, Section A, line 4 . . . . .	<b>5</b>		
<b>6</b>	Modified taxable income. Multiply line 4 by line 5. See instructions . . . . .	<b>6</b>		

(a) Description	(b) Carryover from prior year	(c) Amount deducted this year	(d) Balance available to offset losses	(e) TTA NOL carryover to 2009
<b>7</b> Modified taxable income from line 6 . . . . .				
<b>8</b> TTA NOL carryover beginning in 1998 . . . . .				
<b>9</b> TTA NOL carryover beginning in 1999 . . . . .				
<b>10</b> TTA NOL carryover beginning in 2000 . . . . .				
<b>11</b> TTA NOL carryover beginning in 2001 . . . . .				
<b>12</b> TTA NOL carryover beginning in 2002 . . . . .				
<b>13</b> TTA NOL carryover beginning in 2003 . . . . .				
<b>14</b> TTA NOL carryover beginning in 2004 . . . . .				
<b>15</b> TTA NOL carryover beginning in 2005 . . . . .				
<b>16</b> TTA NOL carryover beginning in 2006 . . . . .				
<b>17</b> TTA NOL carryover beginning in 2007 . . . . .				
<b>18</b> TTA NOL carryover beginning in 2008 . . . . .				
<b>19</b> Total the amounts in columns (b), (c), and (e). See instructions . . . . .				

**Line 8 through Line 17** – Enter the amounts on line 8 through line 17 as positive numbers.

In column (c), enter the smaller of the amount in column (b) or the amount in column (d) from the previous line.

In column (d), enter the result of subtracting column (c) from the balance on the previous line in column (d).

In column (e), enter the result of subtracting the amount in column (c) from the amount in column (b), as applicable.

**Example:**

(b) Carryover from prior year	(c) Amount deducted this year	(d) Balance available to offset losses	(e) TTA NOL carryover
		\$5,000	
\$ 500	\$ 500	4,500	\$ 0

**Line 18** – Enter the amount of your current year NOL in column (e). For individuals and exempt trusts, enter the amount from Section A, line 7. For corporations, enter the amount from Section B, line 7.

**Line 19** – Total the amounts in columns (b), (c), and (e). Enter the totals from column (b) and column (e) on form FTB 3809, Side 1, line 4a and line 4c, accordingly.

Your TTA NOL deduction for 2008 is the total of column (c). Enter this amount on your California tax return or schedule as follows:

- Form 100, line 21
- Form 100S, line 19
- Form 100W, line 21
- Form 109, line 6
- Schedule CA (540), line 21e, column B
- Schedule CA (540NR), line 21e, column B

## Schedule Z – Computation of Credit Limitations

### Credit Limitations

The amount of credit you can claim on your California tax return is limited by the amount of tax attributable to TTA business income. Use Schedule Z on form FTB 3809, Side 2 to compute this limitation.

If a taxpayer owns an interest in a disregarded business entity, the amount of the credit that can be utilized is limited to the difference between the taxpayer's regular tax computed with the income of the disregarded entity, and the taxpayer's regular tax computed without the income of the disregarded entity. For more information on disregarded business entities, get Form 568, Limited Liability Company Tax Booklet.

Partnerships allocate the credit among the partners according to the partners' distributive shares as determined in a written partnership agreement. See R&TC Section 17039(e).

Credits you are otherwise eligible to claim may be limited. Do not apply credits against the minimum franchise tax (corporations and S corporations), annual tax (partnerships and QSub), alternative minimum tax (corporations, exempt organizations,

individuals, and fiduciaries), built-in gains tax (S corporations), or excess net passive income tax (S corporations).

Refer to the credit instructions in your tax booklet for more information.

### Members of a Unitary or Combined Group

The TTA credits cannot be allocated or otherwise transferred to another taxpayer, even if the other taxpayer is a member of a unitary or combined group or otherwise affiliated with the taxpayer that earned the credit. For example, a subsidiary corporation that generates a TTA hiring credit cannot allocate the credit to the parent corporation.

### S Corporations and the Application of TTA Credits

An S corporation may use its TTA credits to reduce TTA tax at both the corporate and shareholder levels.

An S corporation may use 1/3 of the TTA credits to reduce the tax on the S corporation's TTA business income. In addition, S corporation shareholders may claim their pro-rata share of the entire amount of the TTA credits computed under the Personal Income Tax Law.

**Example:** In 2008, an S corporation qualified for a \$3,000 TTA hiring credit. The S corporation will be able to use 1/3 of the credit ( $\$3,000 \times 1/3 = \$1,000$ ) to offset the tax on the corporation's TTA income.

The S corporation will also pass-through a \$3,000 credit to its shareholders to offset their individual tax (computed under the Personal Income Tax Law) on TTA income.

S corporations should attach form FTB 3809 to Form 100S, California S Corporation Franchise or Income Tax Return, to claim the tax credits.

Shareholders should attach Schedule(s) K-1(100S), Shareholder's Share of Income, Deductions, Credits, etc., to their individual tax return.

### Carryover

If the amount of credit available this year exceeds your TTA tax, you may carry over any excess credit to future years until exhausted. Apply the carryover to the earliest taxable year(s) possible. In no event can the credit be carried back and applied against a prior year's tax. Your TTA NOL deduction for 2008 is the total of column (c). Enter this amount on your California tax return or schedule as follows:

- Form 100, line 21
- Form 100S, line 19
- Form 100W, line 21
- Form 109, line 6
- Schedule CA (540), line 21e, column B
- Schedule CA (540NR), line 21e, column B

For S corporations, the amount of the 1/3 credit that is in excess of the 1.5% entity-level tax (3.5% for financial S corporations) in the current year may also be carried forward and used in future years to offset the S corporation entity-level business tax. See the instructions for Schedule Z, Part III, for more information.

### Credit Code Number

Use credit code number **210** to claim the TTA hiring and sales or use tax credits on your tax return. Using an incorrect code number may cause a delay in allowing the credit(s).

## Instructions for Schedule Z — Computation of Credit Limitations

### Reporting Requirements of S Corporations, Estates and Trusts, and Partnerships

#### Partnerships

Do not complete Schedule Z. The partners and members of these types of entities should complete Schedule Z in order to determine the amount of TTA credits that they may claim on their California tax return. S corporations and their shareholders complete Schedule Z.

- Report to shareholders, beneficiaries, partners, and members, the distributive or pro-rata share of business income, losses, and deductions apportioned to the TTA; and
- Separately state any distributive or pro-rata share of business capital gains and losses apportioned to the TTA included in the amount above.

#### S corporations

Complete only Part I and Part III of Schedule Z if your entity-level tax before credits is more than the minimum franchise tax.

#### Corporations and S corporations subject to the minimum franchise tax only

Complete only Part IV of Schedule Z.

**All others:** Complete Part I and Part II of Schedule Z.

### Part I – Computation of Credit Limitations

For filers with NOLs or NOL carryovers.

- Complete Worksheet V first if you have a current year NOL or an NOL carryover.
- Then complete Schedule Z if you have any TTA credits.

If you do not have a current year NOL or any NOL carryovers:

- Individuals: Go to Worksheet IV, Section C. Follow the instructions there. Enter the amount from Worksheet IV, Section C, line 14, column (c) on Schedule Z, Part I, line 1 and line 3 (skip line 2).
- Corporations: Follow the instructions for line 1 below.

**Line 1** – Enter all trade or business income. See Part III for the definition of business income.

**Line 2** – If your business is located entirely within the TTA, enter 1.

This percentage is the apportionment percentage computed by the entity using Worksheet IV, Section A, and represents the percentage of the entity's business income attributable to the TTA.

**Line 6a** – Compute the tax as if the TTA taxable income represented all of your taxable income.

**Individuals**

Use the tax table or tax rate schedule in your tax booklet for your filing status.

**Exempt organizations**

Use the applicable tax rate in your tax booklet.

**Corporations and S corporations**

Use the applicable tax rate.

**Example: Determination of TTA Income for Shareholders, Partners, or Members of Pass-Through Entities**

John Anderson is vice president of ABC, Inc., an S corporation that has two locations: one within the TTA and one outside the TTA. Eighty percent (80%) of the S corporation's business is attributable to the TTA.

This percentage was determined by ABC, Inc. using Worksheet IV, Section A, when ABC's S corporation return (Form 100S) was prepared.

John divides his time equally (50/50) between the two offices of ABC, Inc. Jackie Anderson (John's spouse/RDP) works for ABC, Inc. at its office located within the TTA.

John and Jackie Anderson have the following items of California income and expense for the 2008 taxable year:

John's salary from ABC, Inc. . . . . \$100,000  
 Jackie's salary from ABC, Inc. . . . . 75,000  
 Interest on savings account . . . . . 1,000  
 Dividends . . . . . 3,000  
 Schedule K-1 (100S) from ABC, Inc.:  
   Ordinary income . . . . . 40,000  
   TTA business expense deduction . . (5,000)\*  
 John's unreimbursed employee  
   expenses from federal Schedule A . . . (2,000)

\*The TTA business expense deduction is a separately stated item on Schedule K-1 (100S), line 11.

The Anderson's TTA income (total amount to be reported on line 3) is computed as follows:

John's TTA salary  
   (\$100,000 x 50%) . . . . . \$50,000  
 Jackie's TTA salary  
   (\$75,000 x 100%) . . . . . 75,000  
 Pass-through ordinary income from  
   ABC, Inc. (\$40,000 x 80%) . . . . . 32,000  
 TTA business expense deduction  
   from ABC, Inc. . . . . (5,000)  
 John's unreimbursed  
   employee business  
   expenses (\$2,000 x 50%) . . . . . (1,000)  
 Total TTA income  
   (Schedule Z, Part I, line 3) . . . . . \$151,000

The standard deduction and personal or dependency exemptions are not included in the computation of TTA income since they are not related to trade or business activities. John and Jackie must compute the tax (to be entered on Schedule Z, Part I, line 6a) on the total TTA income of \$151,000 (as if it represents all of their income).

**Line 6b – Corporations and S corporations:** If the amount on line 6b is the minimum franchise tax (\$800), you cannot use your TTA credits this year. You should complete Part IV of Schedule Z to compute the amount of credit carryover.

**Part II – Limitations of Credits for Corporation Individuals, Estates, and Trusts**

Use Part II of Schedule Z if you are a corporation, individual, estate, or trust. Corporations and S corporations that are subject to paying only the minimum franchise tax, go to Part IV of Schedule Z.

**Line 8A, column (e) –** Enter the amount from line 7. This is the amount of limitation based on the tax on TTA business income.

**Line 8A, column (f) –** Enter the amount of credit that is used on Schedule P (100, 100W, 540, 540NR, or 541), column (b). The amount cannot be greater than the amount on line 8A, column (e) or the amount computed on line 8B, column (d). Enter this amount on form FTB 3809, Side 1, line 1a.

**Line 8B, column (b) –** Enter the amount of the current year credit that was computed on Worksheet I, Section A, line 4.

**Line 8B, column (c) –** Enter the amount of the total prior year credit carryover. This is the amount of credit that was previously figured on Worksheet I, Section A, in the prior year, minus the amount that was allowed to be taken on the prior year return.

**Line 8B, column (d) –** Add the amount of the current year credit on line 8B, column (b) and the amount of the total prior year carryover on line 8B, column (c).

**Line 8B, column (e) –** Compare the amounts on line 8A, column (e) and line 8A, column (f). Enter the smaller amount.

**Line 8B, column (g) –** Subtract the amount on line 8B, column (e) from the amount on line 8B, column (d). Enter the result on line 8B, column (g). This is the amount of credit that can be carried over to future years. This carryover includes both the Schedule P (100, 100W, 540, 540NR, or 541) limitation and the limitation based on TTA business income.

**Line 9A, column (e) –** Subtract the amount on line 8B, column (e) from the amount on line 8A, column (e). If the result is zero, your remaining credits are limited and must be carried over to future years. In this case, enter the amount from line 9B, column (d) on line 9B, column (g).

**Example:**

Assume the ABC Business has \$8,000 of tax. The business computed a credit limitation based on the TTA income of \$7,000 on Schedule Z, line 7. The business has the following credits:

Hiring credit — \$500 and a \$300 carryover from a prior year  
 Sales or use tax credit — \$9,000

Schedule Z, Part II would be computed as follows:

**Part II Limitation of Credits for Corporations, Individuals, and Estates and Trusts.** See instructions.

	(a) Credit name	(b) Credit amount	(c) Total prior year carryover	(d) Total credit col. (b) plus col. (c)	(e) Limitation based on TTA business income	(f) Credit used on Schedule P can never be greater than col. (d) or col. (e)	(g) Carryover col. (d) minus col. (e)
<b>8</b>	Hiring credit	A			7,000	800	
		B	500	300	800	800	–0–
<b>9</b>	Sales or use tax credit	A			6,200	6,200	
		B	9,000	–0–	9,000	6,200	2,800

**Line 9A, column (f)** – Enter the amount of credit that is used on Schedule P (100, 100W, 540, 540NR, or 541), column (b). The amount cannot be greater than the amount on line 9A, column (e) or the amount computed on line 9B, column (d). Enter this amount on form FTB 3809, Side 1, line 1b.

**Line 9B, column (b)** – Enter the amount of the current year credit that was computed on Worksheet II, line 2, column (c).

**Line 9B, column (c)** – Enter the amount of the total prior year credit carryover. This is the amount of credit that was previously figured on Worksheet II in the prior year, minus the amount that was allowed to be taken on the prior year return.

**Line 9B, column (d)** – Add the amount of the current year credit on line 9B, column (b) and the amount of the total prior year carryover on line 9B, column (c).

**Line 9B, column (e)** – Compare the amounts on line 9A, column (e) and line 9A, column (f). Enter the smaller amount.

**Line 9B, column (g)** – Subtract the amount on line 9B, column (e) from the amount on line 9B, column (d). Enter the result on line 9B, column (g). This is the amount of credit that can be carried over to future years. This carryover includes both the Schedule P (100, 100W, 540, 540NR, or 541) limitation and the limitation based on TTA business income.

### **Part III – Limitation of Credits for S Corporations Only**

Use Part III of Schedule Z only if you are an S corporation. Adjust Schedule C (100S) to reflect the TTA business tax limitation (Part I, line 7) after completing this worksheet.

**Line 10 and Line 11, column (b)** – Enter the amounts of current year credits that were computed on Worksheet I and Worksheet II in column (b) for line 10 and line 11, as applicable. Also enter this amount on Form 100S, Schedule K, line 13d.

**Line 10 and Line 11, column (c)** – Multiply the amounts on line 10 and line 11, column (b) by 1/3. Enter these amounts in column (c). The amounts in column (c) are the maximum amounts of the current year credits that may be used by the S corporation to offset its 1.5% entity-level tax (3.5% for financial S corporations). Also include this amount on Form 100S, Schedule C.

**Line 10 and Line 11, column (d)** – Enter the amounts of total prior year credit carryover. These are the credit amounts that were previously computed on the prior year Worksheet I and Worksheet II, minus the amounts that were allowed to be taken on the prior year return. Also include this amount on Form 100S, Schedule C.

**Line 10 and Line 11, column (e)** – Add the amounts of the current year credits in column (c) and the total prior year carryovers in column (d).

**Line 10 and Line 11, column (f)** – Enter the credit amounts that were used by the S corporation in the current year to offset its 1.5% entity-level tax (3.5% for financial S corporations). Enter the amounts in column (f) for line 10 and line 11 on form FTB 3809, Side 1, line 1a and line 1b, as applicable.

**Line 10 and Line 11, column (g)** – Subtract the amount in column (f) for each line from the amounts in column (e). These are the credit amounts that can be carried over to future years and used by the S corporation.

### **Part IV – Limitation of Credits and S Corporations Subject to Paying Only the Minimum Franchise Tax**

Use Part IV of Schedule Z if you are a corporation or S corporation subject to paying only the minimum franchise tax.

**Line 12 and Line 13, column (b)** – Enter the amounts of current year credits that were computed on Worksheet I and Worksheet II. S corporations may enter only 1/3 of the amounts from Worksheet I and II on line 12, column (b) and line 13, column (b), as applicable.

**Line 12 and Line 13, column (c)** – Enter the amounts of the total prior year credit carryovers. These are the credit amounts that were previously computed on Worksheet I and Worksheet II in the prior year, minus the amounts that were allowed to be taken on the prior year return. S corporations may enter only 1/3 of the amounts from Worksheet I and Worksheet II.

**Line 12 and Line 13, column (d)** – Add the amounts in column (b) and column (c) for line 12 and line 13. These are the credit amounts that can be carried over to future years.



# Standard Industrial Classification Manual, 1987 Edition (Partial Listing)

The Standard Industrial Classification (SIC) Manual classifies business activities based upon establishments, which are defined in the SIC Manual as an economic unit, generally at a single physical location, where business is conducted, or where services or industrial operations are performed. A taxpayer's enterprise may consist of more than one establishment. The SIC Manual provides the following examples of establishments: A factory, mill, store, hotel, movie theater, mine, farm, ranch, bank, railroad depot, airline terminal, sales office, warehouse, or central administrative office. Where distinct and separate economic activities are performed at a single physical location (such as construction activities operated out of the same physical location as a lumber yard), each activity should be treated as a separate establishment where: (1) No one industry description in the SIC Manual includes such combined activities; (2) The employment in each economic activity is significant; and (3) Separate reports are prepared on the number of employees, their wages and salaries, sales or receipts, property and equipment, and other types of financial data, such as financial statements, job costing, and profit center accounting.

The Standard Industrial Classification Manual is organized using a hierarchical structure, first by division, next by two-digit

major groups within each division, then by three-digit industry groups within each major group, and finally by four-digit industry codes within each industry group.

For purposes of this publication, the following SIC codes are listed since only taxpayers with establishments in these industry codes qualify for the TTA tax incentives:

- SIC Codes 2000 through 2099;
- SIC Codes 2200 through 3999;
- SIC Codes 4200 through 4299;
- SIC Codes 4500 through 4599; and
- SIC Codes 4700 through 5199.

The complete Standard Industrial Classification Manual, 1987 Edition, is available for purchase from:

NATIONAL TECHNICAL INFORMATION SERVICE  
5285 PORT ROYAL ROAD  
SPRINGFIELD VIRGINIA 22161

Order No. PB 87-100012

The manual is also available on the Internet. Go to [osha.gov](http://osha.gov) and search for **SIC code**.

## The four-digit industry codes within Division D of the SIC Manual are: (nec means "not elsewhere classified")

3291 Abrasive products	2231 Broadwoven fabric mills, wool	2653 Corrugated & solid fiber boxes	3441 Fabricated structural metal
2891 Adhesives & sealants	3991 Brooms & brushes	3961 Costume jewelry	2399 Fabricated textile products, nec
2879 Agricultural chemicals, nec	3995 Burial caskets	2074 Cottonseed oil	3523 Farm machinery & equipment
3563 Air & gas compressors	3578 Calculating & accounting equipment	2021 Creamery butter	3965 Fasteners, buttons, needles, & pins
3728 Aircraft parts & equipment, nec	2064 Candy & other confectionery products	3466 Crowns & closures	2875 Fertilizers, mixing only
3724 Aircraft engines & engine parts	2062 Cane sugar refining	3643 Current-carrying wiring devices	2655 Fiber cans, drums, & similar products
3721 Aircraft	2033 Canned fruits & vegetables	2391 Curtains & draperies	2262 Finishing plants, manmade
2812 Alkalies & chlorine	2091 Canned & cured fish & seafood	3087 Custom compound purchased resins	2261 Finishing plants, cotton
3354 Aluminum extruded products	2032 Canned specialties	3281 Cut stone & stone products	2269 Finishing plants, nec
3355 Aluminum rolling & drawing, nec	2394 Canvas & related products	3421 Cutlery	3211 Flat glass
3365 Aluminum foundries	2394 Canvas & related products	2865 Cyclic crudes & intermediates	2087 Flavoring extracts & syrups, nec
3353 Aluminum sheet, plate, & foil	3955 Carbon paper & inked ribbons	2034 Dehydrated fruits, vegetables, & soups	2041 Flour & other grain mill products
3363 Aluminum die-casting	2895 Carbon black	3843 Dental equipment & supplies	3824 Fluid meters & counting devices
3483 Ammunition, except for small arms, nec	3624 Carbon & graphite products	2675 Die-cut paper products	3492 Fluid power valves & hose fittings
3826 Analytical instruments	3592 Carburetors, pistons, rings, & valves	2085 Distilled & blended liquors	2026 Fluid milk
2077 Animal & marine fats & oils	2273 Carpets & rugs	2047 Dog & cat food	3594 Fluid power pumps & motors
2387 Apparel belts	2823 Cellulosic manmade fiber	3942 Dolls & stuffed toys	3593 Fluid power cylinders & actuators
2389 Apparel & accessories, nec	3241 Cement, hydraulic	2591 Drapery hardware, blinds, & shades	2657 Folding paperboard boxes
3446 Architectural metal work	3253 Ceramic wall & floor tile	2023 Dry, condensed, & evaporated dairy products	2099 Food preparations, nec
3292 Asbestos products	2043 Cereal breakfast foods	2079 Edible fats & oils, nec	3556 Food products machinery
2952 Asphalt felts & coatings	2022 Cheese, natural & processed	3641 Electric lamps	3131 Footwear cut stock
2951 Asphalt paving mixtures & blocks	2899 Chemical preparations, nec	3634 Electric housewares & fans	3149 Footwear, except rubber, nec
3581 Automatic vending machines	2067 Chewing gum	3699 Electrical equipment & supplies, nec	2092 Fresh/frozen prepared fish/seafood
2396 Automotive & apparel trimmings	2066 Chocolate & cocoa products	3629 Electrical industrial apparatus, nec	2053 Frozen bakery products, except bread
3465 Automotive stampings	3255 Clay refractories	3845 Electromedical equipment	2038 Frozen specialties, nec
2673 Bags: plastic, laminated, & coated	2295 Coated fabrics, not rubberized	3313 Electrometallurgical products	2037 Frozen fruits & vegetables
2674 Bags: uncoated paper & multiwall	3316 Cold finishing of steel shapes	3679 Electronic components, nec	2371 Fur goods
3562 Ball & roller bearings	2754 Commercial printing, gravure	3678 Electronic connectors	2599 Furniture & fixtures, nec
2063 Beet sugar	2752 Commercial printing, lithographic	3671 Electron tubes	3944 Games, toys, & children's vehicles
2836 Biological products except diagnostic	2759 Commercial printing, nec	3675 Electronic capacitors	3053 Gaskets, packing, & sealing devices
2782 Blankbooks & looseleaf binders	3582 Commercial laundry equipment	3676 Electronic resistors	3569 General industrial machinery, nec
3312 Blast furnace & steel mills	3646 Commercial lighting fixtures	3571 Electronic computers	2369 Girls' & children's outerwear, nec
3564 Blowers & fans	3669 Communication equipment	3534 Elevators & moving stairways	2361 Girls' & children's dresses, blouses
3732 Boat building & repairing	3577 Computer peripheral equipment, nec	3694 Engine electrical equipment	3221 Glass containers
3452 Bolts, nuts, rivets, & washers	3575 Computer terminals	2677 Envelopes	3321 Gray & ductile iron foundries
2731 Book publishing	3572 Computer storage devices	3822 Environmental controls	2771 Greeting cards
2732 Book printing	3271 Concrete block & brick	2892 Explosives	3764 Guided missile & space vehicle parts
2789 Bookbinding & related work	3272 Concrete products, nec	2381 Fabric dress & work gloves	3769 Guided missile & space vehicle parts, nec
2086 Bottled & canned soft drinks	3531 Construction machinery	3499 Fabricated metal products, nec	
2342 Bras, girdles, & allied garments	2679 Converted paper products, nec	3443 Fabricated plate work (boiler shops)	
2051 Bread, cake, & related products	3535 Conveyors & conveying equipment	3498 Fabricated pipe & fittings	
3251 Brick & structural clay tile	2052 Cookies & crackers	3069 Fabricated rubber products, nec	
2211 Broadwoven fabric mills, cotton	3351 Copper rolling & drawing		
2221 Broadwoven fabric mills, manmade	3366 Copper foundries		
	2298 Cordage & twine		

(continued on next page)

3761	Guided missiles & parts	3061	Mechanical rubber goods	2035	Pickles, sauces, & salad dressing	3769	Space vehicle equipment & parts
2861	Gum & wood chemicals	2833	Medicinal & botanicals	3085	Plastic bottles	3764	Space propulsion units & parts
3275	Gypsum products	2325	Men's & boys' trousers & slacks	3086	Plastic foam products	2429	Special product sawmills, nec
3423	Hand & edge tools, nec	3143	Men's footwear, except athletic	2821	Plastic materials & resins	3544	Special dies, tools, jigs, & fixtures
3996	Hardsurface floor coverings, nec	2323	Men's & boys' neckwear	3084	Plastic pipe	3559	Special industry machinery, nec
2429	Hardware, nec	2329	Men's & boys' clothing, nec	3088	Plastic plumbing fixtures	3566	Speed changers, drives, & gears
2426	Hardwood dimensions & flooring mills	2321	Men's & boys' shirts	3089	Plastic products, nec	3949	Sporting & athletic goods, nec
		2322	Men's & boys' underwear & nightwear	2796	Platemaking service	2678	Stationery products
2435	Hardwood veneer & plywood			3471	Plating & polishing	3493	Steel springs, except wire
2353	Hats, caps, & millinery	2326	Men's & boys' work clothing	2395	Pleating & stitching	3315	Steel wire & related products
3433	Heating equip, except electric	2311	Men's & boys' suits & coats	3432	Plumbing fixture fittings & trim	3317	Steel pipe & tubes
3536	Hoists, cranes, & monorails	2514	Metal household furniture	2842	Polishes & sanitation goods	3325	Steel foundries, nec
2252	Hosiery, nec	3549	Metalworking machinery, nec	3264	Porcelain electrical supplies	3324	Steel investment foundries
2392	House furnishings, nec	3398	Metal heat treating	2096	Potato chips & similar snacks	3691	Storage batteries
3142	House slippers	3411	Metal cans	3269	Pottery products, nec	3259	Structural clay products, nec
3651	Household audio & video equipment	3412	Metal barrels, drums, & pails	2015	Poultry slaughtering & processing	2439	Structural wood members, nec
		3431	Metal sanitary ware	3568	Power transmission equipment, nec	2843	Surface active agents
3635	Household vacuum cleaners	3497	Metal foil & leaf			3841	Surgical & medical instruments
3631	Household cooking appliances	3479	Metal coating & allied services	3546	Power-driven handtools	3842	Surgical appliances & supplies
3633	Household laundry equipment	3469	Metal stampings, nec	3448	Prefabricated metal buildings	3613	Switchgear & switchboard apparatus
3639	Household appliances, nec	3442	Metal door, sash, & trim	2452	Prefabricated wood buildings		
2519	Household furniture, nec	2431	Millwork	2045	Prepared flour mixes & doughs	2822	Synthetic rubber
3632	Household refrigerators & freezers	3296	Mineral wool	2048	Prepared feeds, nec	3795	Tanks & tank components
2024	Ice cream & frozen desserts	3295	Minerals, ground or treated	3652	Prerecorded records & tapes	3661	Telephone & telegraph apparatus
3491	Industrial valves	3532	Mining machinery	3229	Pressed & blown glass, nec	3552	Textile machinery
2819	Industrial inorganic chem, nec	2741	Misc publishing	3399	Primary metal products, nec	2393	Textile bags
3599	Industrial machinery, nec	3449	Misc metal work	3339	Primary nonferrous metals, nec	2299	Textile goods, nec
2869	Industrial organic chem, nec	3496	Misc fabricated wire products	3334	Primary aluminum	2284	Thread mills
3537	Industrial trucks & tractors	2451	Mobile homes	3331	Primary copper	2282	Throwing & winding mills
2813	Industrial gases	3716	Motor homes	3692	Primary batteries, dry & wet	2296	Tire cord & fabrics
3543	Industrial patterns	3711	Motor vehicles & car bodies	3672	Printed circuit boards	3011	Tires & inner tubes
3567	Industrial furnaces & ovens	3621	Motor & generators	2893	Printing ink	2844	Toilet preparations
2816	Inorganic pigments	3714	Motor vehicle parts & accessories	3555	Printing trades machinery	3612	Transformers, except electronic
3825	Instruments to measure electricity	3751	Motorcycles, bicycles, & parts	3823	Process control instruments	3799	Transportation equipment, nec
3519	Internal combustion engines, nec	3931	Musical instruments	3231	Products of purchased glass	3792	Travel trailers & campers
2835	In vitro & in vivo diagnostic substances	2441	Nailed wood boxes & shook	2531	Public building & related furniture	3713	Truck & bus bodies
		2241	Narrow fabric mills	2611	Pulp mills	3715	Truck trailers
3462	Iron & steel forging	2711	Newspapers	3561	Pumps & pumping equipment	3511	Turbines & turbines generator sets
3915	Jewelers' materials & lapidary work	2873	Nitrogenous fertilizers	3663	Radio & TV communication equipment	2791	Typesetting
		3297	Nonclay refractories			3082	Unsupported plastic profile shapes
3911	Jewelry, precious metal	3644	Noncurrent-carrying wiring devices	3743	Railroad equipment	3081	Unsupported plastic film & sheet
2253	Knit outerwear mills			2061	Raw sugar cane	2512	Upholstered household furniture
2254	Knit underwear mills			3273	Ready-mixed concrete	3494	Valves & pipe fittings, nec
2259	Knitting mills, nec	3369	Nonferrous foundries, nec	2493	Reconstituted wood products	2076	Vegetable oil mills, nec
3821	Laboratory apparatus & furniture	3364	Nonferrous die-casting, except aluminum	3585	Refrigeration & heating equipment	3647	Vehicular lighting equipment
2258	Lace & warp knit fabric mills			3625	Relays & industrial controls	3261	Vitreous plumbing fixtures
3083	Laminated plastic plate & sheet	3357	Nonferrous wiredrawing & insulating	3645	Residential lighting fixtures	3262	Vitreous china table & kitchenware
3524	Lawn & garden equipment			2044	Rice milling	3873	Watches, clocks, & parts
3952	Lead pencils & art goods	3356	Nonferrous rolling & drawing, nec	2095	Roasted coffee	2385	Waterproof outerwear
3199	Leather goods, nec	3341	Nonferrous metals	2384	Robes & dressing gowns	2257	Weft knit fabric mills
2386	Leather & sheep-lined clothing	3463	Nonferrous forging	3547	Rolling mill machinery	3548	Welding apparatus
3111	Leather tanning & finishing	3299	Nonmetallic mineral products, nec	3052	Rubber & plastic hose & belting	2046	Wet corn milling
3151	Leather gloves & mittens	2297	Nonwoven fabrics	3021	Rubber & plastic footwear	2084	Wines, brandy, & brandy spirits
3648	Lighting equipment	3579	Office machines, nec	2068	Salted & roasted nuts & seeds	3495	Wire springs
3274	Lime	2522	Office furniture, except wood	2656	Sanitary food containers	2337	Women's & misses' suits & coats
2411	Logging	3533	Oil & gas field machinery	2676	Sanitary paper products	2335	Women's, juniors', & misses' dresses
2992	Lubricating oils & greases	3851	Ophthalmic goods	2013	Sausages & other prepared meats		
3161	Luggage	3827	Optical instruments & lenses	3425	Saw blades & handsaws	2341	Women's & children's underwear
2098	Macaroni, spaghetti, & noodles	3489	Ordnance & accessories, nec	2421	Sawmills & planing mills, general	2251	Women's hosiery, except socks
3541	Machine tools, metal cutting types	2824	Organic fibers, noncellulosic	3596	Scales & balances, except laboratory	2339	Women's & misses' outerwear, nec
		3565	Packaging machinery			2331	Women's & misses' blouses & shirts
3545	Machine tool accessories	2851	Paints & allied products	2397	Schiffli machine embroideries		
3542	Machine tools, metal forming type	3554	Paper industries machinery	3451	Screw machine products	3171	Women's handbags and purses
3695	Magnetic & optical recording media	2621	Paper mills	3812	Search & navigation equipment	3144	Women's footwear, except athletic
		2671	Paper coated & laminated, packaging	3674	Semiconductors & related devices	2491	Wood preserving
3322	Malleable iron foundries			3263	Semivitreous table & kitchenware	2499	Wood products, nec
2083	Malt	2672	Paper coated & laminated, nec	3589	Service industry machinery, nec	2434	Wood kitchen cabinets
2082	Malt beverages	2631	Paperboard mills	2652	Setup paperboard boxes	2541	Wood partitions & fixtures
2761	Manifold business forms	2542	Partitions & fixtures, except wood	3444	Sheet metal work	2521	Wood office furniture
2097	Manufactured ice	3951	Pens & mechanical pencils	3731	Ship building & repairing	2517	Wood TV & radio cabinets
3999	Manufacturing industries, nec	2721	Periodicals	3993	Signs & advertising specialties	2449	Wood containers, nec
3953	Marking devices	3172	Personal leather goods, nec	3914	Silverware and plate ware	2511	Wood household furniture
2515	Mattresses & bedsprings	2911	Petroleum refining	3484	Small arms	2448	Wood pallets & skids
3586	Measuring & dispensing pumps	2999	Petroleum & coal products, nec	3482	Small arms ammunition	3553	Woodworking machinery
3829	Measuring & controlling devices, nec	2834	Pharmaceutical preparations	2841	Soap & other detergents	3844	X-ray apparatus & tubes
		2874	Phosphatic fertilizers	2436	Softwood veneer & plywood	2281	Yarn spinning mills
2011	Meat packing plants	3861	Photographic equipment & supplies	2075	Soybean oil mills		

(continued on next page)

**The four-digit industry codes within Division E of the SIC Manual are:** (*nec* means “not elsewhere classified”)

4513 Air courier services	4932 Gas & other services combined	4960 Steam & air-conditioning supply
4522 Air transportation, nonscheduled	4971 Irrigation systems	4822 Telegraph & other message communications
4512 Air transportation, scheduled	4214 Local trucking with storage	4813 Telephone communications, except radiotelephone
4581 Airports, flying fields, & airport terminal services	4212 Local trucking without storage	4833 Television broadcasting stations
4729 Arrangement of passenger transportation, <i>nec</i>	4925 Mixed, manufactured, or liquefied petroleum gas production	4231 Terminal & joint terminal maintenance facilities for motor freight
4730 Arrangement of transportation of freight & cargo	4924 Natural gas distribution	4725 Tour operators
4841 Cable & other pay television services	4922 Natural gas transmission	4789 Transportation services, <i>nec</i>
4939 Combination utilities, <i>nec</i>	4923 Natural gas transmission & distribution	4724 Travel agencies
4899 Communications services, <i>nec</i>	4783 Packing & crating	4213 Trucking, except local
4215 Courier services, except by air	4832 Radio broadcasting stations	4940 Water supply
4931 Electric & other services combined	4812 Radiotelephone communications	
4911 Electric services	4222 Refrigerated warehousing & storage	
4221 Farm product warehousing & storage	4953 Refuse systems	
4785 Fixed facilities & inspection weighing services for motor vehicle transportation	4741 Rental of railroad cars	
	4959 Sanitary services, <i>nec</i>	
	4952 Sewerage systems	
	4225 Special warehousing & storage	
	4226 Special warehousing & storage, <i>nec</i>	

**The four-digit industry codes within Division F of the SIC Manual are:** (*nec* means “not elsewhere classified”)

5012 Automobiles & other motor vehicles	5021 Furniture	5162 Plastics materials & basic forms & shapes
5181 Beer & ale	5153 Grain & field beans	5074 Plumbing & heating equipment & supplies (hydronics)
5192 Books, periodicals, & newspapers	5149 Groceries & related products, <i>nec</i>	5144 Poultry & poultry products
5032 Brick, stone, and related construction materials	5141 Groceries, general line	5111 Printing & writing paper
5169 Chemicals & allied products, <i>nec</i>	5072 Hardware	5049 Professional equipment & supplies, <i>nec</i>
5052 Coal & other minerals & ores	5022 Home furnishings	5078 Refrigeration equipment & supplies
5046 Commercial equipment, <i>nec</i>	5113 Industrial & personal service paper	5033 Roofing, siding, and insulation materials
5045 Computers & computer peripheral equipment & software	5084 Industrial machinery & equipment	5093 Scrap & waste materials
5145 Confectionery	5085 Industrial supplies	5087 Service establishment equipment & supplies
5082 Construction & mining (except petroleum) machinery & equipment	5094 Jewelry, watches, precious stones, & precious metals	5091 Sporting & recreational goods & supplies
5039 Construction materials, <i>nec</i>	5154 Livestock	5112 Stationery & office supplies
5143 Dairy products, except dried or canned	5031 Lumber, plywood, millwork, and wood panels	5014 Tires & tubes
5122 Drugs, drug proprietaries, & druggist' sundries	5147 Meat & meat products	5194 Tobacco & tobacco products
5099 Durable goods, <i>nec</i>	5047 Medical, dental, & hospital equipment & supplies	5092 Toys, hobby goods, & supplies
5063 Electrical apparatus & equipment, wiring supplies, & construction materials	5136 Men's & boy's clothing & furnishings	5088 Transportation equipment & supplies, except motor vehicles
5064 Electrical appliances, television, & radio sets	5051 Metals service centers & offices	5075 Warm air heating, air-conditioning equipment, & supplies
5065 Electronic parts & equipment, <i>nec</i>	5015 Motor vehicle parts, used	5182 Wine & distilled alcoholic beverages
5083 Farm & garden machinery & equipment	5013 Motor vehicle supplies & new parts	5137 Women's, children's, & infants' clothing & accessories
5191 Farm supplies	5199 Nondurable goods, <i>nec</i>	
5159 Farm-product raw materials, <i>nec</i>	5044 Office equipment	
5146 Fish & seafoods	5048 Ophthalmic goods	
5193 Flowers, nursery stock, & florists' supplies	5142 Packaged frozen foods	
5138 Footwear	5198 Paints, varnishes, & supplies	
5148 Fresh fruits & vegetables	5172 Petroleum & petroleum products wholesalers, except bulk stations	
	5171 Petroleum bulk stations & terminals	
	5043 Photographic equipment & sales	
	5131 Piece goods, notions, & other dry goods	



## FTB 3809

### Principal Business Activity Codes

This list of principal business activities and their associated codes is designed to classify a business by the type of activity in which it is engaged to facilitate the administration of the California Revenue and Taxation Code. For taxable years beginning on or after January 1, 1998, these principal business activity codes are based on the North American Industry Classification System published by the United States Office of Management and Budget, 1997 Edition.

For purposes of qualifying for the TTA tax incentives, refer to the Standard Industrial Classification Manual, 1987 Edition and the partial listing on pages 21 through 23 of this booklet.

#### Agriculture, Forestry, Fishing, and Hunting

##### Code

##### Crop Production

- 111100 Oilseed & Grain Farming
- 111210 Vegetable & Melon Farming (including potatoes & yams)
- 111300 Fruit & Tree Nut Farming
- 111400 Greenhouse, Nursery, Floriculture Production
- 111900 Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet, & all other crop farming)

##### Animal Production

- 112111 Beef Cattle Ranching & Farming
- 112112 Cattle Feedlots
- 112120 Dairy Cattle & Milk Production
- 112210 Hog & Pig Farming
- 112300 Poultry & Egg Production
- 112400 Sheep & Goat Farming
- 112510 Animal Aquaculture (including shellfish & finfish farms & hatcheries)
- 112900 Other Animal Production

##### Forestry and Logging

- 113110 Timber Tract Operations
- 113210 Forest Nurseries & Gathering of Forest Products
- 113310 Logging

##### Fishing, Hunting and Trapping

- 114110 Fishing
- 114210 Hunting & Trapping

##### Support Activities for Agriculture and Forestry

- 115110 Support Activities for Crop Production (including cotton ginning, soil preparation, planting, & cultivating)
- 115210 Support Activities for Animal Production
- 115310 Support Activities for Forestry

##### Mining

- 211110 Oil & Gas Extraction
- 212110 Coal Mining
- 212200 Metal Ore Mining
- 212310 Stone Mining & Quarrying
- 212320 Sand, Gravel, Clay, & Ceramic & Refractory

##### Minerals Mining & Quarrying

- 212390 Other Nonmetallic Mineral Mining & Quarrying
- 213110 Support Activities for Mining

##### Utilities

- 221100 Electric Power Generation, Transmission & Distribution
- 221210 Natural Gas Distribution
- 221300 Water, Sewage, & Other Systems
- 221500 Combination Gas & Electric

#### Construction

##### Code

##### Construction of Buildings

- 236110 Residential Building Construction
- 236200 Nonresidential Building Construction

##### Heavy and Civil Engineering Construction

- 237100 Utility System Construction
- 237210 Land Subdivision
- 237310 Highway, Street, & Bridge Construction
- 237990 Other Heavy & Civil Engineering Construction

##### Specialty Trade Contractors

- 238100 Foundation, Structure, & Building Exterior Contractors (including framing carpentry, masonry, glass, roofing, & siding)
- 238210 Electrical Contractors
- 238220 Plumbing, Heating, & Air-Conditioning Contractors
- 238290 Other Building Equipment Contractors
- 238300 Building Finishing Contractors (including drywall, insulation, painting, wallcovering, flooring, tile, & finish carpentry)
- 238900 Other Specialty Trade Contractors (including site preparation)

#### Manufacturing

##### Food Manufacturing

- 311110 Animal Food Mfg
- 311200 Grain & Oilseed Milling
- 311300 Sugar & Confectionery Product Mfg
- 311400 Fruit & Vegetable Preserving & Specialty Food Mfg
- 311500 Dairy Product Mfg
- 311610 Animal Slaughtering and Processing
- 311710 Seafood Product Preparation & Packaging
- 311800 Bakeries & Tortilla Mfg
- 311900 Other Food Mfg (including coffee, tea, flavorings, & seasonings)

##### Beverage and Tobacco Product Manufacturing

- 312110 Soft Drink & Ice Mfg
- 312120 Breweries
- 312130 Wineries
- 312140 Distilleries
- 312200 Tobacco Manufacturing

##### Textile Mills and Textile Product Mills

- 313000 Textile Mills
- 314000 Textile Product Mills

##### Apparel Manufacturing

- 315100 Apparel Knitting Mills

##### Code

- 315210 Cut & Sew Apparel Contractors
- 315220 Men's & Boys' Cut & Sew Apparel Mfg
- 315230 Women's & Girls' Cut & Sew Apparel Mfg
- 315290 Other Cut & Sew Apparel Mfg
- 315990 Apparel Accessories & Other Apparel Mfg

##### Leather and Allied Product Manufacturing

- 316110 Leather & Hide Tanning & Finishing
- 316210 Footwear Mfg (including rubber & plastics)
- 316990 Other Leather & Allied Product Mfg

##### Wood Product Manufacturing

- 321110 Sawmills & Wood Preservation
- 321210 Veneer, Plywood, & Engineered Wood Product Mfg
- 321900 Other Wood Product Mfg

##### Paper Manufacturing

- 322100 Pulp, Paper, & Paperboard Mills
- 322200 Converted Paper Product Mfg

##### Printing and Related Support Activities

- 323100 Printing & Related Support Activities

##### Petroleum and Coal Products Manufacturing

- 324110 Petroleum Refineries (including integrated)
- 324120 Asphalt Paving, Roofing, & Saturated Materials Mfg
- 324190 Other Petroleum & Coal Products Mfg

##### Chemical Manufacturing

- 325100 Basic Chemical Mfg
- 325200 Resin, Synthetic Rubber, & Artificial & Synthetic Fibers & Filaments Mfg
- 325300 Pesticide, Fertilizer, & Other Agricultural Chemical Mfg
- 325410 Pharmaceutical & Medicine Mfg
- 325500 Paint, Coating, & Adhesive Mfg
- 325600 Soap, Cleaning Compound, & Toilet Preparation Mfg
- 325900 Other Chemical Product & Preparation Mfg

##### Plastics and Rubber Products Manufacturing

- 326100 Plastics Product Mfg
- 326200 Rubber Product Mfg

##### Nonmetallic Mineral Product Manufacturing

- 327100 Clay Product & Refractory Mfg
- 327210 Glass & Glass Product Mfg
- 327300 Cement & Concrete Product Mfg
- 327400 Lime & Gypsum Product Mfg
- 327900 Other Nonmetallic Mineral Product Mfg

##### Primary Metal Manufacturing

- 331110 Iron & Steel Mills & Ferroalloy Mfg
- 331200 Steel Product Mfg from Purchased Steel
- 331310 Alumina & Aluminum Production & Processing
- 331400 Nonferrous Metal (except Aluminum) Production & Processing
- 331500 Foundries

##### Fabricated Metal Product Manufacturing

- 332110 Forging & Stamping
- 332210 Cutlery & Handtool Mfg
- 332300 Architectural & Structural Metals Mfg
- 332400 Boiler, Tank, & Shipping Container Mfg
- 332510 Hardware Mfg
- 332610 Spring & Wire Product Mfg
- 332700 Machine Shops, Turned Product, & Screw, Nut, & Bolt Mfg

##### Code

- 332810 Coating, Engraving, Heat Treating, & Allied Activities
- 332900 Other Fabricated Metal Product Mfg

##### Machinery Manufacturing

- 333100 Agriculture, Construction, & Mining Machinery Mfg
- 333200 Industrial Machinery Mfg
- 333310 Commercial & Service Industry Machinery Mfg
- 333410 Ventilation, Heating, Air-Conditioning, & Commercial Refrigeration Equipment Mfg
- 333510 Metalworking Machinery Mfg
- 333610 Engine, Turbine, & Power Transmission Equipment Mfg
- 333900 Other General Purpose Machinery Mfg

##### Computer and Electronic Product Manufacturing

- 334110 Computer & Peripheral Equipment Mfg
- 334200 Communications Equipment Mfg
- 334310 Audio & Video Equipment Mfg
- 334410 Semiconductor & Other Electronic Component Mfg
- 334500 Navigational, Measuring, Electromedical, & Control Instruments Mfg
- 334610 Manufacturing & Reproducing Magnetic & Optical Media

##### Electrical Equipment, Appliance, and Component Manufacturing

- 335100 Electric Lighting Equipment Mfg
- 335200 Household Appliance Mfg
- 335310 Electrical Equipment Mfg
- 335900 Other Electrical Equipment & Component Mfg

##### Transportation Equipment Manufacturing

- 336100 Motor Vehicle Mfg
- 336210 Motor Vehicle Body & Trailer Mfg
- 336300 Motor Vehicle Parts Mfg
- 336410 Aerospace Product & Parts Mfg
- 336510 Railroad Rolling Stock Mfg
- 336610 Ship & Boat Building
- 336990 Other Transportation Equipment Mfg

##### Furniture and Related Product Manufacturing

- 337000 Furniture & Related Product Manufacturing

##### Miscellaneous Manufacturing

- 339110 Medical Equipment & Supplies Mfg
- 339900 Other Miscellaneous Manufacturing

#### Wholesale Trade

##### Merchant Wholesalers, Durable Goods

- 423100 Motor Vehicle & Motor Vehicle Parts & Supplies
- 423200 Furniture & Home Furnishings
- 423300 Lumber & Other Construction Materials
- 423400 Professional & Commercial Equipment & Supplies
- 423500 Metal & Mineral (except Petroleum)
- 423600 Electrical & Electronic Goods
- 423700 Hardware, & Plumbing & Heating Equipment & Supplies
- 423800 Machinery, Equipment, & Supplies
- 423910 Sporting & Recreational Goods & Supplies
- 423920 Toy & Hobby Goods & Supplies
- 423930 Recyclable Materials
- 423940 Jewelry, Watch, Precious Stone, & Precious Metals
- 423990 Other Miscellaneous Durable Goods



## Code

### Merchant Wholesalers, Nondurable Goods

- 424100 Paper & Paper Products
- 424210 Drugs & Druggists' Sundries
- 424300 Apparel, Piece Goods, & Notions
- 424400 Grocery & Related Products
- 424500 Farm Product Raw Materials
- 424600 Chemical & Allied Products
- 424700 Petroleum & Petroleum Products
- 424800 Beer, Wine, & Distilled Alcoholic Beverages
- 424910 Farm Supplies
- 424920 Book, Periodical, & Newspapers
- 424930 Flower, Nursery Stock, & Florists' Supplies
- 424940 Tobacco & Tobacco Products
- 424950 Paint, Varnish, & Supplies
- 424990 Other Miscellaneous Nondurable Goods

### Wholesale Electronic Markets and Agents and Brokers

- 425110 Business to Business Electronic Markets
- 425120 Wholesale Trade Agents & Brokers

## Retail Trade

### Motor Vehicle and Parts Dealers

- 441110 New Car Dealers
- 441120 Used Car Dealers
- 441210 Recreational Vehicle Dealers
- 441221 Motorcycle Dealers
- 441222 Boat Dealers
- 441229 All Other Motor Vehicle Dealers
- 441300 Automotive Parts, Accessories, & Tire Stores

### Furniture and Home Furnishings Stores

- 442110 Furniture Stores
- 442210 Floor Covering Stores
- 442291 Window Treatment Stores
- 442299 All Other Home Furnishings Stores

### Electronics and Appliance Stores

- 443111 Household Appliance Stores
- 443112 Radio, Television, & Other Electronics Stores
- 443120 Computer & Software Stores
- 443130 Camera & Photographic Supplies Stores

### Building Material and Garden Equipment and Supplies Dealers

- 444110 Home Centers
- 444120 Paint & Wallpaper Stores
- 444130 Hardware Stores
- 444190 Other Building Material Dealers
- 444200 Lawn & Garden Equipment & Supplies Stores

### Food and Beverage Stores

- 445110 Supermarkets and Other Grocery (except Convenience) Stores
- 445120 Convenience Stores
- 445210 Meat Markets
- 445220 Fish & Seafood Markets
- 445230 Fruit & Vegetable Markets
- 445291 Baked Goods Stores
- 445292 Confectionery & Nut Stores
- 445299 All Other Specialty Food Stores
- 445310 Beer, Wine, & Liquor Stores

### Health and Personal Care Stores

- 446110 Pharmacies & Drug Stores
- 446120 Cosmetics, Beauty Supplies, & Perfume Stores
- 446130 Optical Goods Stores
- 446190 Other Health & Personal Care Stores

### Gasoline Stations

- 447100 Gasoline Stations (including convenience stores with gas)

## Code

### Clothing and Clothing Accessories Stores

- 448110 Men's Clothing Stores
- 448120 Women's Clothing Stores
- 448130 Children's & Infants' Clothing Stores
- 448140 Family Clothing Stores
- 448150 Clothing Accessories Stores
- 448190 Other Clothing Stores
- 448210 Shoe Stores
- 448310 Jewelry Stores
- 448320 Luggage & Leather Goods Stores

### Sporting Goods, Hobby, Book, and Music Stores

- 451110 Sporting Goods Stores
- 451120 Hobby, Toy, & Game Stores
- 451130 Sewing, Needlework, & Piece Goods Stores
- 451140 Musical Instrument & Supplies Stores
- 451211 Book Stores
- 451212 News Dealers & Newsstands
- 451220 Prerecorded Tape, Compact Disc, & Record Stores

### General Merchandise Stores

- 452110 Department stores
- 452900 Other General Merchandise Stores

### Miscellaneous Store Retailers

- 453110 Florists
- 453210 Office Supplies & Stationery Stores
- 453220 Gift, Novelty, & Souvenir Stores
- 453310 Used Merchandise Stores
- 453910 Pet & Pet Supplies Stores
- 453920 Art Dealers
- 453930 Manufactured (Mobile) Home Dealers
- 453990 All Other Miscellaneous Store Retailers (including tobacco, candle, & trophy shops)

### Nonstore Retailers

- 454110 Electronic Shopping & Mail-Order Houses
- 454210 Vending Machine Operators
- 454311 Heating Oil Dealers
- 454312 Liquefied Petroleum Gas (Bottled Gas) Dealers
- 454319 Other Fuel Dealers
- 454390 Other Direct Selling Establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)

## Transportation and Warehousing

### Air, Rail, and Water Transportation

- 481000 Air Transportation
- 482110 Rail Transportation
- 483000 Water Transportation

### Truck Transportation

- 484110 General Freight Trucking, Local
- 484120 General Freight Trucking, Long-distance
- 484200 Specialized Freight Trucking

### Transit and Ground Passenger Transportation

- 485110 Urban Transit Systems
- 485210 Interurban & Rural Bus Transportation
- 485310 Taxi Service
- 485320 Limousine Service
- 485410 School & Employee Bus Transportation
- 485510 Charter Bus Industry
- 485990 Other Transit & Ground Passenger Transportation

## Code

### Pipeline Transportation

- 486000 Pipeline Transportation

### Scenic & Sightseeing Transportation

- 487000 Scenic & Sightseeing Transportation

### Support Activities for Transportation

- 488100 Support Activities for Air Transportation
- 488210 Support Activities for Rail Transportation
- 488300 Support Activities for Water Transportation
- 488410 Motor Vehicle Towing
- 488490 Other Support Activities for Road Transportation
- 488510 Freight Transportation Arrangement
- 488990 Other Support Activities for Transportation

### Couriers and Messengers

- 492110 Couriers
- 492210 Local Messengers & Local Delivery

### Warehousing and Storage

- 493100 Warehousing & Storage (except lessors of miniwarehouses & self-storage units)

## Information

### Publishing Industries (except Internet)

- 511110 Newspaper Publishers
- 511120 Periodical Publishers
- 511130 Book Publishers
- 511140 Directory & Mailing List Publishers
- 511190 Other Publishers
- 511210 Software Publishers

### Motion Picture and Sound Recording Industries

- 512100 Motion Picture & Video Industries (except video rental)
- 512200 Sound Recording Industries

### Broadcasting (except Internet)

- 515100 Radio & Television Broadcasting
- 515210 Cable & Other Subscription Programming

### Internet Publishing and Broadcasting

- 516110 Internet Publishing & Broadcasting

### Telecommunications

- 517000 Telecommunications (including paging, cellular, satellite, cable & other program distribution, resellers, & other telecommunications)

### Internet Service Providers, Web Search Portals, and Data Processing Services

- 518111 Internet Service Providers
- 518112 Web Search Portals
- 518210 Data Processing, Hosting, & Related Services

### Other Information Services

- 519100 Other Information Services (including news syndicates & libraries)

## Finance and Insurance

### Depository Credit Intermediation

- 522110 Commercial Banking
- 522120 Savings Institutions
- 522130 Credit Unions
- 522190 Other Depository Credit Intermediation

### Nondepository Credit Intermediation

- 522210 Credit Card Issuing
- 522220 Sales Financing
- 522291 Consumer Lending

## Code

- 522292 Real Estate Credit (including mortgage bankers & originators)
- 522293 International Trade Financing
- 522294 Secondary Market Financing
- 522298 All Other Nondepository Credit Intermediation

### Activities Related to Credit Intermediation

- 522300 Activities Related to Credit Intermediation (including loan brokers, check clearing, & money transmitting)

### Securities, Commodity Contracts, and Other Financial Investments and Related Activities

- 523110 Investment Banking & Securities Dealing
- 523120 Securities Brokerage
- 523130 Commodity Contracts Dealing
- 523140 Commodity Contracts Brokerage
- 523210 Securities & Commodity Exchanges
- 523900 Other Financial Investment Activities (including portfolio management & investment advice)

### Insurance Carriers and Related Activities

- 524140 Direct Life, Health, & Medical Insurance & Reinsurance Carriers
- 524150 Direct Insurance & Reinsurance (except Life, Health, & Medical) Carriers
- 524210 Insurance Agencies & Brokerages
- 524290 Other Insurance Related Activities (including third-party administration of insurance and pension funds)

### Funds, Trusts, and Other Financial Vehicles

- 525100 Insurance & Employee Benefit Funds
- 525910 Open-End Investment Funds (Form 1120-RIC)
- 525920 Trusts, Estates, & Agency Accounts
- 525930 Real Estate Investment Trusts (Form 1120-REIT)
- 525990 Other Financial Vehicles (including closed-end investment funds)

"Offices of Bank Holding Companies" and "Offices of Other Holding Companies" are located under Management of Companies (Holding Companies) on next page.

## Real Estate and Rental and Leasing

### Real Estate

- 531110 Lessors of Residential Buildings & Dwellings
- 531114 Cooperative Housing
- 531120 Lessors of Nonresidential Buildings (except Miniwarehouses)
- 531130 Lessors of Miniwarehouses & Self-Storage Units
- 531190 Lessors of Other Real Estate Property
- 531210 Offices of Real Estate Agents & Brokers
- 531310 Real Estate Property Managers
- 531320 Offices of Real Estate Appraisers
- 531390 Other Activities Related to Real Estate

**Code****Rental and Leasing Services**

- 532100 Automotive Equipment Rental & Leasing  
 532210 Consumer Electronics & Appliances Rental  
 532220 Formal Wear & Costume Rental  
 532230 Video Tape & Disc Rental  
 532290 Other Consumer Goods Rental  
 532310 General Rental Centers  
 532400 Commercial & Industrial Machinery & Equipment Rental & Leasing

**Lessors of Nonfinancial Intangible Assets (except copyrighted works)**

- 533110 Lessors of Nonfinancial Intangible Assets (except copyrighted works)

**Professional, Scientific, and Technical Services****Legal Services**

- 541110 Offices of Lawyers  
 541190 Other Legal Services

**Accounting, Tax Preparation, Bookkeeping, and Payroll Services**

- 541211 Offices of Certified Public Accountants  
 541213 Tax Preparation Services  
 541214 Payroll Services  
 541219 Other Accounting Services

**Architectural, Engineering, and Related Services**

- 541310 Architectural Services  
 541320 Landscape Architecture Services  
 541330 Engineering Services  
 541340 Drafting Services  
 541350 Building Inspection Services  
 541360 Geophysical Surveying & Mapping Services  
 541370 Surveying & Mapping (except Geophysical) Services  
 541380 Testing Laboratories

**Specialized Design Services**

- 541400 Specialized Design Services (including interior, industrial, graphic, & fashion design)

**Computer Systems Design and Related Services**

- 541511 Custom Computer Programming Services  
 541512 Computer Systems Design Services  
 541513 Computer Facilities Management Services  
 541519 Other Computer Related Services

**Other Professional, Scientific, and Technical Services**

- 541600 Management, Scientific, & Technical Consulting Services  
 541700 Scientific Research & Development Services  
 541800 Advertising & Related Services  
 541910 Marketing Research & Public Opinion Polling  
 541920 Photographic Services  
 541930 Translation & Interpretation Services  
 541940 Veterinary Services  
 541990 All Other Professional, Scientific, & Technical Services

**Management of Companies (Holding Companies)**

- 551111 Offices of Bank Holding Companies  
 551112 Offices of Other Holding Companies

**Administrative and Support and Waste Management and Remediation Services****Code****Administrative and Support Services**

- 561110 Office Administrative Services  
 561210 Facilities Support Services  
 561300 Employment Services  
 561410 Document Preparation Services  
 561420 Telephone Call Centers  
 561430 Business Service Centers (including private mail centers & copy shops)  
 561440 Collection Agencies  
 561450 Credit Bureaus  
 561490 Other Business Support Services (including repossession services, court reporting, & stenotype services)  
 561500 Travel Arrangement & Reservation Services  
 561600 Investigation & Security Services  
 561710 Exterminating & Pest Control Services  
 561720 Janitorial Services  
 561730 Landscaping Services  
 561740 Carpet & Upholstery Cleaning Services  
 561790 Other Services to Buildings & Dwellings  
 561900 Other Support Services (including packaging & labeling services, & convention & trade show organizers)

**Waste Management and Remediation Services**

- 562000 Waste Management & Remediation Services

**Educational Services**

- 611000 Educational Services (including schools, colleges, & universities)

**Health Care and Social Assistance****Offices of Physicians and Dentists**

- 621111 Offices of Physicians (except mental health specialists)  
 621112 Offices of Physicians, Mental Health Specialists  
 621210 Offices of Dentists

**Offices of Other Health Practitioners**

- 621310 Offices of Chiropractors  
 621320 Offices of Optometrists  
 621330 Offices of Mental Health Practitioners (except Physicians)  
 621340 Offices of Physical, Occupational & Speech Therapists, & Audiologists  
 621391 Offices of Podiatrists  
 621399 Offices of All Other Miscellaneous Health Practitioners

**Outpatient Care Centers**

- 621410 Family Planning Centers  
 621420 Outpatient Mental Health & Substance Abuse Centers  
 621491 HMO Medical Centers  
 621492 Kidney Dialysis Centers  
 621493 Freestanding Ambulatory Surgical & Emergency Centers  
 621498 All Other Outpatient Care Centers

**Medical and Diagnostic Laboratories**

- 621510 Medical & Diagnostic Laboratories

**Home Health Care Services**

- 621610 Home Health Care Services

**Code****Other Ambulatory Health Care Services**

- 621900 Other Ambulatory Health Care Services (including ambulance services & blood & organ banks)

**Hospitals**

- 622000 Hospitals

**Nursing and Residential Care Facilities**

- 623000 Nursing & Residential Care Facilities

**Social Assistance**

- 624100 Individual & Family Services  
 624200 Community Food & Housing, & Emergency & Other Relief Services  
 624310 Vocational Rehabilitation Services  
 624410 Child Day Care Services

**Arts, Entertainment, and Recreation****Performing Arts, Spectator Sports, and Related Industries**

- 711100 Performing Arts Companies  
 711210 Spectator Sports (including sports clubs & racetracks)  
 711300 Promoters of Performing Arts, Sports, & Similar Events  
 711410 Agents & Managers for Artists, Athletes, Entertainers, & Other Public Figures  
 711510 Independent Artists, Writers, & Performers

**Museums, Historical Sites, and Similar Institutions**

- 712100 Museums, Historical Sites, & Similar Institutions

**Amusement, Gambling, and Recreation Industries**

- 713100 Amusement Parks & Arcades  
 713200 Gambling Industries  
 713900 Other Amusement & Recreation Industries (including golf courses, skiing facilities, marinas, fitness centers, & bowling centers)

**Accommodation and Food Services****Accommodation**

- 721110 Hotels (except Casino Hotels) & Motels  
 721120 Casino Hotels  
 721191 Bed & Breakfast Inns  
 721199 All Other Traveler Accommodation  
 721210 RV (Recreational Vehicle) Parks & Recreational Camps  
 721310 Rooming & Boarding Houses

**Food Services and Drinking Places**

- 722110 Full-Service Restaurants  
 722210 Limited-Service Eating Places  
 722300 Special Food Services (including food service contractors & caterers)  
 722410 Drinking Places (Alcoholic Beverages)

**Other Services****Repair and Maintenance**

- 811110 Automotive Mechanical & Electrical Repair & Maintenance  
 811120 Automotive Body, Paint, Interior, & Glass Repair  
 811190 Other Automotive Repair & Maintenance (including oil change & lubrication shops & car washes)

**Code**

- 811210 Electronic & Precision Equipment Repair & Maintenance  
 811310 Commercial & Industrial Machinery & Equipment (except Automotive & Electronic) Repair & Maintenance  
 811410 Home & Garden Equipment & Appliance Repair & Maintenance  
 811420 Reupholstery & Furniture Repair  
 811430 Footwear & Leather Goods Repair  
 811490 Other Personal & Household Goods Repair & Maintenance

**Personal and Laundry Services**

- 812111 Barber Shops  
 812112 Beauty Salons  
 812113 Nail Salons  
 812190 Other Personal Care Services (including diet & weight reducing centers)  
 812210 Funeral Homes & Funeral Services  
 812220 Cemeteries & Crematories  
 812310 Coin-Operated Laundries & Drycleaners  
 812320 Drycleaning & Laundry Services (except Coin-Operated)  
 812330 Linen & Uniform Supply  
 812910 Pet Care (except Veterinary) Services  
 812920 Photofinishing  
 812930 Parking Lots & Garages  
 812990 All Other Personal Services

**Religious, Grantmaking, Civic, Professional, and Similar Organizations**

- 813000 Religious, Grantmaking, Civic, Professional, & Similar Organizations (including condominium and homeowners associations)

**2008****Targeted Tax Area  
Deduction and Credit Summary****3809**

Attach to your California tax return.

SSN or ITIN or California corporation number

Name(s) as shown on return

FEIN

Qualified taxpayer's SIC code. See instructions. \_\_\_\_\_

Secretary of State (SOS) file number

**A. Check the appropriate box for your entity type:**

- ☐ Individual    ☐ Estate    ☐ Trust    ☐ C corporation    ☐ S corporation    ☐ Partnership  
☐ Exempt organization    ☐ Limited liability company    ☐ Limited liability partnership

**B. Enter the name of the targeted tax area (TTA) business:** \_\_\_\_\_**C. Enter the address (actual location) where the TTA business is conducted:** \_\_\_\_\_**D. Enter the name of the specific area of the TTA in which the business and/or investment activity is located.** \_\_\_\_\_**E. Enter the six-digit Principal Business Activity code of the TTA Business . . . . .** \_\_\_\_\_**F. Total number of employees in the TTA. . . . .** \_\_\_\_\_**G. Number of employees included in the computation of the hiring credit, if claimed . . . . .** \_\_\_\_\_**H. Number of new employees included in the computation of the hiring credit, if claimed . . . . .** \_\_\_\_\_**I. Gross annual receipts of the business . . . . .** \_\_\_\_\_**J. Total asset value of the business . . . . .** \_\_\_\_\_**Part I Credits** (Complete Schedule Z on Side 2 before you complete this part.)**1** Hiring and sales or use tax credits claimed on the current year return:**a** Hiring credit from Schedule Z, line 8A, column (f) or line 10, column (f). . . . . \_\_\_\_\_**b** Sales or use tax credit from Schedule Z, line 9A, column (f) or line 11, column (f) . . . . . \_\_\_\_\_Add line 1a and line 1b . . . . . **1** \_\_\_\_\_**Part II Business Expense Deduction****2** Enter the cost of qualified property purchased for the TTA that is being deducted as a current year business expense from Worksheet III, Section A, line 5, column (b). . . . . **2** \_\_\_\_\_

**ELECTION:** The act of deducting a portion of the cost of any property as a current year expense rather than adding it to the capital account constitutes an election to treat that property in accordance with R&TC Sections 17267.6 or 24356.6. That election may not be revoked except with the written consent of the Franchise Tax Board (FTB).

**Part III Portion of Business Attributable to the Targeted Tax Area****3** Enter the average apportionment percentage of your business that is in the TTA from Worksheet IV, Section A, line 4. If your operation is wholly within the TTA, the average apportionment percentage is 100% (1.00) . . . . . **3** \_\_\_\_\_**Part IV Net Operating Loss (NOL) Carryover and Deduction****4 a** Enter the total NOL carryover from the prior year from Worksheet V, Section C, line 19, column (b) . . . . . **4a** \_\_\_\_\_

**b** Enter the total NOL deduction used in the current year from Worksheet V, Section C, line 19, column (c). Enter this amount on Schedule CA (540 or 540NR), line 21e, column B; Form 100, line 21; Form 100W, line 21; Form 100S, line 19; or Form 109, line 6. . . . . **4b** \_\_\_\_\_

**c** Enter the TTA NOL carryover to future years from Worksheet V, Section C, line 19, column (e) . . . . . **4c** \_\_\_\_\_

**ELECTION:** For those taxpayers eligible for an NOL carryover under R&TC Sections 17276.2, 17276.4, 17276.5, 17276.6, 24416.2, 24416.4, 24416.5, or 24416.6, the act of claiming an NOL carryover on this form constitutes the **irrevocable** election to apply the loss under R&TC Sections 17276.6 or 24416.6, for taxpayers operating a trade or business within the TTA. If you elect to carry over an NOL under the TTA provisions, you cannot carry over any other type and amount of NOL from this year.

**Part V Recapture of Deduction and Credits****5** TTA recapture of hiring credit from Worksheet I, Section B, line 2, column (b). . . . . **5** \_\_\_\_\_**6** Recapture of business expense deduction from Worksheet III, Section B, line 2, column (b) . . . . . **6** \_\_\_\_\_

**Schedule Z Computation of Credit Limitations — Targeted Tax Area****Part I Computation of Credit Limitations.** See instructions.

<b>1</b>	Trade or business income. Individuals: Enter the amount from Worksheet IV, Section C, line 14, column (c) on this line and on line 3 (skip line 2). See instructions. Corporations which file a combined report, enter the taxpayer's business income apportioned to California (see instructions Part III) . . . . .	<b>1</b>	
<b>2</b>	Corporations: Enter the average apportionment percentage from Worksheet IV, Section A, line 4. See instructions . .	<b>2</b>	
<b>3</b>	Multiply line 1 by line 2 . . . . .	<b>3</b>	
<b>4</b>	Enter the TTA NOL deduction from Worksheet V, Section C, line 19, column (c) . . . . .	<b>4</b>	
<b>5</b>	TTA taxable income. Subtract line 4 from line 3 . . . . .	<b>5</b>	
<b>6 a</b>	Compute the amount of tax due using the amount on line 5. See instructions . . . . .	<b>6a</b>	
<b>b</b>	Enter the amount of tax from Form 540, line 24; Long Form 540NR, line 27; Form 541, line 21; Form 100, or Form 100W, line 24; Form 100S, line 22; or Form 109, line 10. Corporations and S corporations, see instructions . . . . .	<b>6b</b>	
<b>7</b>	Enter the smaller of line 6a or line 6b. This is the limitation based on the TTA income. Go to Part II, Part III, or Part IV. See instructions . . . . .	<b>7</b>	

**Part II Limitation of Credits for Corporations, Individuals, Estates, and Trusts.** See instructions.

(a) Credit name		(b) Credit amount	(c) Total prior year carryover	(d) Total credit add col. (b) plus col. (c)	(e) Limitation based on TTA business income	(f) Credit used on Schedule P can never be greater than col. (d) or col. (e)	(g) Carryover col. (d) minus col. (e)
<b>8</b> Hiring credit	A						
	B						
<b>9</b> Sales or use tax credit	A						
	B						

**Part III Limitation of Credits for S Corporations Only.** See instructions.

(a) Credit name	(b) Credit amount	(c) S corporation credit col. (b) multiplied by 1/3	(d) Total prior year carryover	(e) Total credit add col. (c) plus col. (d)	(f) Credit used this year by S corporation	(g) Carryover col. (e) minus col. (f)
<b>10</b> Hiring credit						
<b>11</b> Sales or use tax credit						

**Part IV Limitation of Credits for Corporations and S Corporations Subject to Paying Only the Minimum Franchise Tax.** See instructions.

(a) Credit name	(b) Credit amount	(c) Total prior year carryover	(d) Total credit carryover. col. (b) plus col. (c)
<b>12</b> Hiring credit			
<b>13</b> Sales or use tax credit			

Refer to page 3 for information on how to claim deductions and credit.



**Visit our website:**

**[ftb.ca.gov](http://ftb.ca.gov)**

# How to Get California Tax Information

**(Keep This Page For Future Use)**

## Your Rights as a Taxpayer

Our goal at the Franchise Tax Board (FTB) is to make certain that your rights are protected so that you will have the highest confidence in the integrity, efficiency, and fairness of our state tax system. FTB Pub. 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program, and how you can request written advice from the FTB on whether a particular transaction is taxable. See "Where to Get Tax Forms and Publications" below.

## Where to Get Tax Forms and Publications

**By Internet** – You can download, view, and print California tax forms and publications from our website at [ftb.ca.gov](http://ftb.ca.gov).

Access other state agencies' websites through the State Agencies Directory on California's website at [ca.gov](http://ca.gov).

**By phone** – To order current year California tax forms and publications, call our automated phone service. To order a form:

- Refer to the list in your tax booklet and find the code number for the form you want to order.
- Call 800.338.0505 and follow the instructions.

Allow two weeks to receive your order. If you live outside California, allow three weeks to receive your order.

**In person** – Many post offices provide free California personal income tax booklets during the filing season.

Employees at post offices cannot provide tax information or assistance.

**By mail** – Write to:

TAX FORMS REQUEST UNIT  
FRANCHISE TAX BOARD  
PO BOX 307  
RANCHO CORDOVA CA 95741-0307

## Letters

If you write to us, be sure your letter includes your FEIN, Secretary of State file number, California corporation number, social security number or individual taxpayer identification number, your daytime and evening telephone numbers, and a copy of the notice (if applicable). Send your letter to:

PROFESSIONAL RESOURCES AND  
EDUCATION SECTION MS F-283  
FRANCHISE TAX BOARD  
PO BOX 1468  
SACRAMENTO CA 95812-1468

We will respond to your letter within ten weeks. In some cases, we may need to call you for additional information.

Do not attach correspondence to your tax return unless the correspondence relates to an item on your return.

## General Toll-Free Phone Service

Telephone assistance is available year-round from 7 a.m. until 6 p.m. Monday through Friday, except for holidays.

From within the  
United States, call . . . . . 800.852.5711  
From outside the United  
States, call (not toll-free) . . . . 916.845.6500

### Assistance for persons with disabilities:

The FTB complies with the Americans with Disabilities Act. Persons with a hearing or speech impairment, call:

From TTY/TDD . . . . . 800.822.6268  
(Direct line to FTB customer service)

### Asistencia bilingüe en español:

Asistencia telefónica esta disponible todo el año durante las 7 a.m. y las 6 p.m. lunes a viernes, excepto días festivos.

Dentro de los Estados Unidos,  
llame al: . . . . . 800.852.5711  
Fuera de los Estados Unidos,  
llame al (cargos aplican) . . . . 916.845.6500  
Sitio web . . . . . [ftb.ca.gov](http://ftb.ca.gov)

### Asistencia para personas discapacitadas:

El FTB está en conformidad con el Acta de Americanos Discapacitados. Personas con problemas auditivos o de habla pueden llamar:

De TTY/TDD . . . . . 800.822.6268  
(Linea directa al servicio de clientes del FTB)

## TTA Contact Information

For business eligibility or zone related information, including questions regarding TTA geographic boundaries, contact the local zone program manager where the business is located. For a list of program managers, go to [www.hcd.ca.gov](http://www.hcd.ca.gov) and search for **eda**.

For information that is not tax-specific or zone-specific, you may contact the Department of Housing and Community Development at:

DEPARTMENT OF HOUSING AND  
COMMUNITY DEVELOPMENT  
FINANCIAL ASSISTANCE DIVISION  
STATE ENTERPRISE AND ECONOMIC  
DEVELOPMENT SECTION  
ENTERPRISE ZONE PROGRAMS  
1800 THIRD STREET, SUITE 390-1  
SACRAMENTO CA 95811

Telephone: 916.322.1554

FAX: 916.322.2904

Website: [www.hcd.ca.gov](http://www.hcd.ca.gov)

or you may also contact:

FRANCHISE TAX BOARD  
Telephone: 916.845.3464  
Website: [ftb.ca.gov](http://ftb.ca.gov)